

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

1.7
EC 752 Pa
cop. 2

The

DEMAND and PRICE SITUATION

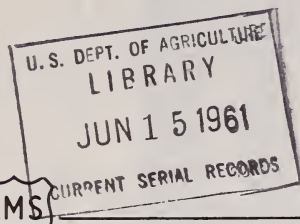
DPS-71

1961 OUTLOOK ISSUE

November 1960

FOR RELEASE

NCV. 14, A. M.



Approved by the Outlook and Situation Board, November 7, 1960

THE AGRICULTURAL SITUATION AND OUTLOOK FOR 1961

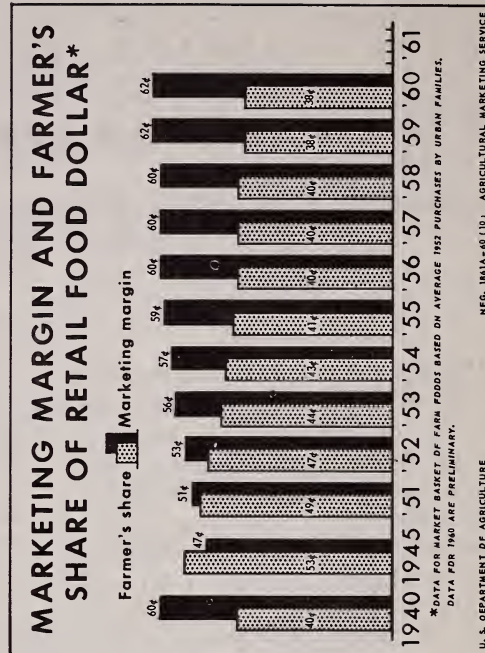
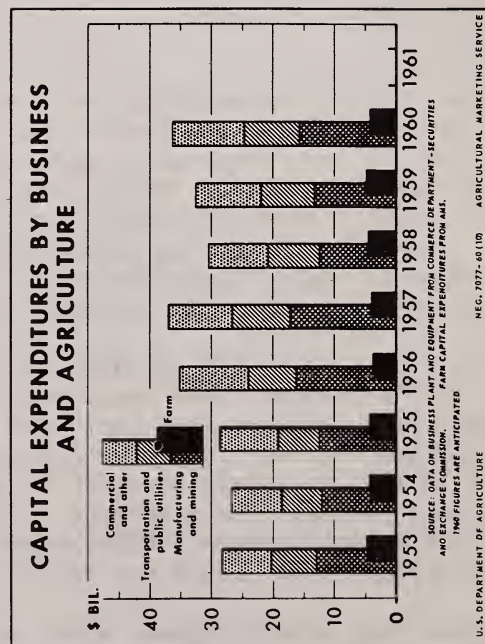
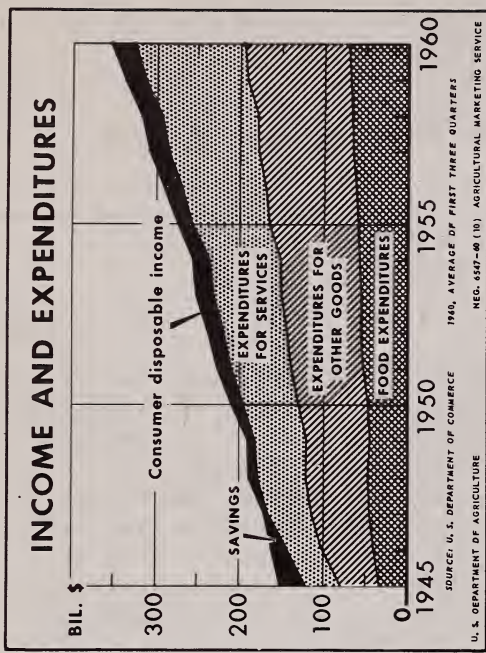
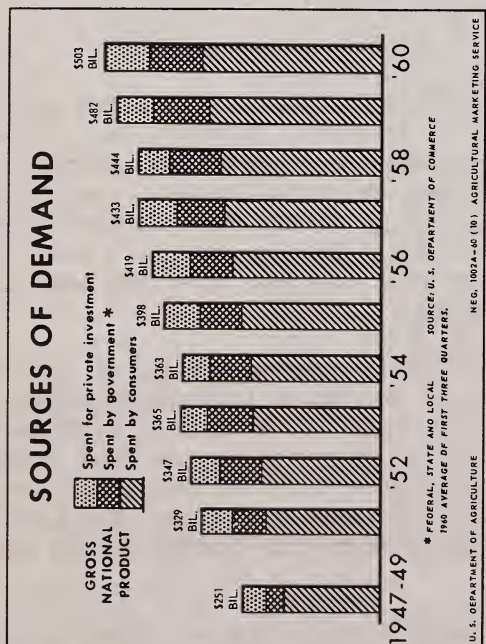
The general stability of farm prices, farm cost rates, and farm incomes in 1959 and 1960 is expected to continue in 1961. With record farm output this year, the volume of farm marketings is running about 3 percent above 1959 and may increase further in 1961, if growing conditions are again average or better. Consumer incomes so far this year have been running about 5 percent above a year ago, generating a strong demand for food and other farm products. For 1961 as a whole, consumer incomes are expected to total somewhat higher, although slackness has developed in the economy. Exports of major farm products, aided by substantial government export programs, are expected to continue large in 1960-61 and may well equal or exceed the record volume in 1959-60.

Prices received by farmers in 1960 are averaging only slightly below 1959. In 1961, the prospective increase in marketings of cattle, and sustained or larger hog marketings later in the year, could lead to some further decline in cattle prices and possibly a greater than seasonal reduction in prices of hogs in the fall months. Under present law, minimum price supports for 1961 production will be about the same as support levels for 1960.

The index of prices paid by farmers for commodities, interest, taxes and wage rates also has held relatively stable in 1960 at levels slightly above last year. The easing of inflationary price

(Continued on page 3)

Published monthly by
AGRICULTURAL MARKETING SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE



- - - - -
T H E D E M A N D A N D P R I C E S I T U A T I O N
- - - - -

Approved by the Outlook and Situation Board, November 7, 1960

	<u>CONTENTS</u>	
	<u>Page</u>	<u>Page</u>
: The Agricultural Situation and		37
: Outlook for 1960..... 1	Rye.....	38
: Domestic Demand..... 10	Rice.....	38
: Foreign Demand 20	Fruit.....	40
: Agricultural Supplies, Prices	Commercial Vegetables.....	40
: and Incomes..... 26	Potatoes and Sweetpotatoes.....	41
: Livestock and Meat..... 30	Dry Beans and Peas.....	41
: Dairy Products..... 31	Cotton.....	42
: Poultry and Eggs..... 32	Wool.....	44
: Oilseeds, Fats and Oils..... 34	Tobacco.....	45
: Feed..... 35	Naval Stores.....	46
: Wheat..... 36	Timber Products.....	

Continued from cover page.

pressures suggests relatively stable prices in 1961 for production items purchased by farmers from the nonfarm sector of the economy. Interest charges per acre, taxes on farm real estate and farm wage rates are expected to average somewhat higher in 1961. Feeder livestock prices, which in September and October were about 8 percent below a year ago, may change little from current levels. Prices of purchased feed may average about the same. The parity ratio which has held steady around 80 in recent months probably will continue much the same in 1961, assuming no change in existing farm programs.

It now appears that realized net farm income in 1960 may equal or possibly exceed 1959's income. This improvement above the prospects indicated earlier this year largely stems from increased output of wheat, as well as a smaller-than-expected increase in production expenditures. Farmers' income from nonfarm sources in 1960 is likely to account again for about a third of total net income of all farm people. The downtrend in the number of farms has apparently been rapid in the last 5 years. With relatively stable aggregate income during this period, average farm income has risen.

Farm real estate values, which in 1960 reached their highest level in relation to net income since the early 1930's, leveled off during the past year. The index of farm real estate values declined slightly from March to July.

Through September of this year, cash receipts from farm marketings totaled almost one percent above the comparable period of 1959. An increase of about 3 percent in the volume of farm marketings more than offset a 2 percent decline in average prices received by farmers. Receipts from livestock and products were down about 2 percent from January-September 1959 due mostly to lower prices for cattle and calves. Receipts from crops exceeded the first 9 months of 1959 by about 5 percent, due to larger marketings. Government payments in 1960 probably will total slightly larger than 1959 because of larger Conservation Reserve payments.

Total farm production expenses so far in 1960 have been only slightly higher than a year earlier. Outlays for interest, taxes, and wages increased from 1959. Prices of production items purchased from the nonfarm sector are up slightly from a year ago. But these increases have been largely offset by lower prices for feed and feeder livestock and by slight declines in inputs of labor and possibly feeder livestock. Purchases of feeder livestock are normally heavy in the closing months of the year.

Prices received by farmers in October exceeded year-earlier levels for the first time in 1960. In the next few months producer prices may average above the late months of 1959 when marketings of meat animals and citrus fruits were heavy. However, with prices so far this year down 2 percent from a year earlier, prices received by farmers for 1960 as a whole are expected to average a little below 1959.

The price outlook for 1961 does not point to much change overall from current levels, though larger marketings of most livestock products may contribute to some easing in prices later in 1961. Relatively high prices for hogs reflect smaller marketings from the sharply reduced 1960 spring pig crop. Although breeding intentions point to an upturn in hog production in 1961, prices may continue above year-earlier levels at least through the first half of the year. Somewhat larger marketings of hogs are in prospect for the closing months of 1961. Marketings of cattle and calves, despite a further buildup in breeding herds, also will increase again in 1961 and prices are expected to ease further. Prices of the dairy product group are averaging above 1959 and will likely continue higher than year-earlier levels in coming months. In October, dairy-product prices were either equivalent to or above recently increased CCC purchase prices. Egg prices, which in September and October were well above a year ago, probably will continue higher than year-earlier levels through the early months of next year. Prices for most crops so far in 1960 average about the same as a year earlier and, except for seasonal variations, they probably will continue fairly stable in 1961. The currently announced support price for the 1961 wheat crop is \$1.78 per bushel, the same as for the 1960 crop. Minimum support price for 1961 crop corn under current legislation is about the same as the \$1.06 per bushel for the 1960 crop. Support prices for 1960 crop cotton were 75 percent of parity under Choice A, for which the bulk of cotton production is eligible, and 60 percent under Choice B. Present legislation provides for a single support price for 1961 crop cotton between 70 and 90 percent of parity for average quality, at the discretion of the Secretary of Agriculture.

Record large supplies and marketings of major crops and further increases in marketings of livestock products will again be major influences shaping the agricultural price and income outlook for 1961. Stocks of wheat and feed grains, which have been excessive for some years, are expected to increase further in the 1960-61 marketing year. The build-up in cattle numbers, though slowing in 1960, is likely to continue in 1961 and livestock production as a whole is expected to increase.

For 1960, a record farm output, topping last year's all-time high and 29 percent above the 1947-49 average, is now indicated. Estimated crop production for 1960, much of which will be marketed in 1961, is $2\frac{1}{2}$ percent above last year, according to the October Crop Report. Much of this increase is in food grains, oil crops, and hay and forage production. With average or better growing conditions in 1961, total crop output will continue large. Present indications point to planted acreage for corn about unchanged from 1960 levels. For wheat, the minimum national allotment of 55 million acres is again in effect for 1961. Some increase is likely in acreage planted to soybeans and sugar beets and a larger acreage allotment for 1961 crop cotton was recently announced.

Output of livestock and livestock products in 1960 is estimated as about unchanged from 1959; smaller production of hogs and eggs about offsets increased output of cattle, milk, broilers, and turkeys. Livestock production will continue large in 1961. In addition to larger marketings of cattle and calves, hog production also will turn up in 1961. Hog marketings, however, are likely to continue relatively light at least until the latter part of 1961. Milk production is expected to rise slightly again and the uptrend in production of broilers probably will continue in 1961.

Commodity Credit Corporation investment in inventories and price support loans totaled \$8.5 billion on June 30, 1960, down \$125 million from a year earlier. Four crops--wheat, corn, cotton and tobacco--accounted for 85 percent of total investment. In the coming year CCC investment is expected to increase. Much of the increase in wheat production is expected to move under price support, resulting in increased stocks next June 30. Stocks of corn are also expected to rise. There probably will be some decline in CCC holdings of cotton and possibly some decline in tobacco stocks. The Federal Budget for Agriculture and Agricultural Resources estimates an increase for fiscal year 1960-61 of \$400 million for CCC investment in price support, surplus disposal and related program expenditures.

Agricultural exports in 1960-61 are likely to approximate the \$4.5 billion total of the 1959-60 fiscal year. In terms of quantity, a new record is likely. Favorable factors are continued high economic activity abroad, particularly in Western Europe; large gold and dollar holdings in most industrial importing countries; some further lowering of trade barriers against U. S. farm products; and continuation of special Government export programs as well as payments-in-kind on exports, especially wheat and cotton. Exports of wheat (in-

cluding flour) will likely exceed last year's total, and may be a new record, as adverse weather has reduced the wheat harvest in Western Europe. Exports of tobacco, soybeans, tallow, meats, hides and dairy products will also rise. Cotton and vegetable oil exports will continue high. Lard and, to a lesser extent, rice exports will decline; foreign supply conditions also indicate lower exports of feed grains and high protein feeds, and horticultural products.

Domestic demand for food and other farm products is expected to be well maintained in 1961. On balance, the economy's output of goods and services for some months ahead is not expected to vary much either up or down from current levels. Declines in some sectors are expected to be largely offset by strengthening in other sectors with some renewal of expansion likely in 1961 as the year progresses. A prospective increase in Government expenditures, a continued though moderate increase in consumer buying, and possibly some increase in residential construction in 1961 should largely offset any weakness that may develop in business investment and inventory demand. The flow of income to consumers in the coming year is likely to continue high with employment relatively well maintained and through the compensatory effects of unemployment compensation and the continued uptrend in Social Security and other Government transfer payments. In the 1957-58 period of economic adjustment, disposable income--the income available to consumers after personal taxes--remained about unchanged even though gross national product fell some \$16 billion, or about $3\frac{1}{2}$ percent, from the third quarter 1957 high to the low in the first quarter of 1958. Wage rates can be expected to continue rising although probably at a slower pace than since the 1958 business recovery. Many wage contracts stipulate automatic increases in coming months.

The gross national product declined slightly from the second to third quarter of 1960, according to preliminary estimates. Business fixed investment outlays leveled off and inventory accumulation apparently ceased following the \$11.4 billion and \$5.3 billion annual rates of accumulation in the first and second quarters, respectively. Sales of producers' durable goods have been well maintained, but sales of consumer durables declined in the third quarter. Demand for nondurable goods held up well in the first half of this year, but sales in recent months are down some and output of nondurable goods has declined slightly since July. Largely as a result of reduced inventory demand output of nondurable goods has declined this year from 111 (1957=100) in January to 102 in September. Output of most durables declined, but the largest adjustment was in iron and steel. The steel industry in October continued to operate at only around 55 percent of capacity. However, in August and September the volume of new orders to manufacturers picked up, mainly in aircraft and electronics.

General easiness in business conditions has held commodity prices relatively stable this year. Average wholesale prices of industrial products have declined slightly since January this year, and in September were fractionally below the year earlier. The Consumer Price Index in September was up almost

1½ percent from a year ago, due mainly to a continued rise in prices for services. Employment, seasonally adjusted, has eased some since mid-year, but total employment of 68 million workers is more than a million workers above a year earlier. However, there have been widespread reductions this year in the length of the work week in most manufacturing industries. Since the rise in employment has about matched labor force growth, unemployment has recently varied between 5½ to 6 percent of the labor force.

The direction of economic activity in coming months will depend to a considerable extent on the trend in capital spending, demand for consumer durable goods, residential construction activity, the size and duration of expected inventory adjustments, and the increase in Government expenditures for goods and services.

Economic trends in recent months indicate that new plant expansion may level out and perhaps decline some in 1961. Output, new orders, and order backlogs for durable manufacturers have declined so far this year. With supplies generally easy and plants operating well below capacity, there is no great pressure for plant expansion. Corporate profits in the second quarter of this year were down \$3.1 billion from the high first quarter rate of \$48.8 billion and apparently changed little in the third quarter. On the other hand, depreciation allowances continue to rise and a large volume of internal funds is available for financing. In the past two years plant and equipment expenditures have been smaller than in the 1955-57 business upswing, and a large part of this investment has been, and will continue to be needed for modernization rather than expansion.

Business investment in new plant and equipment rose from the closing months of 1958 through the third quarter 1960. Investment outlays at that time were a tenth larger than in the third quarter 1959 and almost a fourth above third quarter 1958, when the current uptrend in the investment cycle began. The July-August Commerce-Securities and Exchange Commission Survey of planned plant expansion indicated that businessmen were scheduling no further increase in capital investment spending in the last half of 1960. The National Industrial Conference Board's data on capital appropriations in manufacturing indicated a seasonally adjusted decline in appropriations in the first and second quarters from the peak in the final months of 1959. This suggests that while capital expenditures would likely hold up through 1960, there may be some cutback in expenditures in 1961.

Outlays for new private construction in the first three quarters of this year were at a seasonally adjusted annual rate of \$40.5 billion, about unchanged from the year earlier. A decline in residential nonfarm construction was about offset by increased investment in other types of new construction. In 1961, outlays for private construction are likely to continue high. Increased availability of mortgage funds and possibly lower interest rates should contribute to an increase in residential construction from reduced levels this year. A generally easy market and the relatively high level of vacancies for residential rental properties, however, may tend to moderate any upturn.

Business inventories were accumulated at an exceptionally high rate in the first quarter of 1960 and added materially to the level of economic activity. The rate of build-up slowed during the second quarter and some reduction in manufacturing and trade inventories was reported in July-September. There may be further liquidation in coming months. Auto stocks are still considered large but stocks of many commodities are not greatly out of line relative to sales rates.

Government purchases of goods and services in the third quarter of 1960 were up more than 2 percent from a year ago. Federal expenditures were slightly below a year earlier, due to smaller expenditures for national defense, but increased outlays by State and local governments were more than offsetting. During the next year government purchases will continue to rise, according to the 1961 Federal Budget Midyear Review. The increased Federal expenditures reflect larger outlays for defense, space, agriculture, public works, and higher employee pay. Expenditures by State and local governments are expected to increase in line with the trend of recent years, with higher construction outlays for highways and other facilities and increased compensation for employees.

U. S. merchandise exports during the summer were at an annual rate of close to \$20 billion, compared with total exports of \$17.9 billion in 1959-60. Imports were only slightly above the \$15.5 billion total of 1959-60, so that the net merchandise export balance was at a rate of about \$4 billion. A substantial net export balance is likely to continue for the remainder of 1960-61 in view of the exceptionally strong demand for metals, machinery and aircraft by foreign industrial countries. Increased activity under P. L. 480 will contribute to continued large exports of farm products in 1960-61. Net merchandise receipts, as in recent years, will be more than offset by net U. S. payments on other transactions. A major factor increasing net U. S. payments in recent months has been the outflow of short-term capital largely in response to differential interest rates and generally favorable business conditions in Europe accompanied by a reduction in long-term foreign investment in the United States.

The consumer market accounted for about 60 percent of the rise in the economy's gross expenditures for goods and services over the past year. Rising consumer incomes were, as usual, the main contributor to increased consumer buying. In the third quarter they were at a rate more than 5 percent above a year earlier. Total consumer credit outstanding rose also, from \$48.8 billion in August 1959 to \$53.9 billion in August of this year. However, repayments on instalment credit continued at about 13 percent of consumers' disposable income. In recent months consumer incomes after taxes have increased more slowly and spending has eased off. As a result, savings rose to 8.1 percent of disposable income in the third quarter of this year as contrasted with 7.1 percent in the second quarter and 6.6 percent a year ago. With a prospective moderate rise in consumer incomes, expenditures for services, food, and some other non-durables are likely to rise; the expenditure outlook for many durable goods is uncertain.

Commodity Highlights

Cattle slaughter will increase further in 1961, supplying possibly 4 pounds more beef per person than in 1960. Cattle prices will average below 1960. Hog slaughter through much of 1961 will likely fall a little short of 1960, but producers apparently are planning an increase in production, indicating that slaughter in the last half may climb above year-earlier levels. Hog prices next year will probably not average greatly different from this year.

Supplies of milk products may be record high in 1961, but only slightly above levels of recent years. Prices to farmers and consumers will average above a year earlier in coming months, though prices after April 1 next year may depend to a large extent on price support levels to be announced for the 1961 marketing year.

Prices of eggs, farm chickens, broilers and turkeys, which averaged higher in 1960 than 1959, are likely next year to move back toward 1959 levels. Larger supplies of poultry meats throughout the year, and more eggs during the last half of 1961, will tend to reduce prices.

Supplies of edible fats, oils and oilseeds in 1960-61 are expected to be slightly less than the record quantity available last year. Output in 1960-61 is expected to be a little larger than last year, but beginning stocks are lower. Total domestic disappearance of food fats is expected to increase a little, leaving nearly as large quantities for export in 1960-61 as last year.

Feed grain supplies in 1960-61 are about 3 percent above 1959-60. The number of grain-consuming animal units is likely to be a little smaller but feeding rates per animal are expected to continue high and consumption will at least equal the record 1959-60 level. A further increase of 5 to 10 percent in the carryover into 1961-62 is likely.

Exports of wheat in 1960-61 may equal the record 550 million bushels exported in 1956-57. Domestic disappearance is expected to total 610 million bushels leaving a carryover on July 1, 1961 of 1.5 billion bushels, 200 million above a year ago. A rice supply in 1960-61 of 66 million cwt., with domestic use of 28 million cwt., and exports of possibly 28 to 29 million cwt. will leave a carryover next August 1 of 9 million cwt., compared with 12.1 million cwt. August 1, 1960 and the record 35 million cwt. 5 years ago.

Total supplies of fresh and processed fruits are likely to be a little smaller through mid-1961 than a year earlier. Production of deciduous fruits in 1960 is expected to be about 8 percent below the large 1959 crop. The 1960-61 crops of oranges, lemons and limes are expected to be a little smaller, but the grapefruit crop is expected to be about the same as in 1959-60.

Supplies of fresh market vegetables for the rest of this fall are likely to be close to those of a year earlier. Supplies of canned vegetables available into mid-1961 probably are a little smaller than a year earlier, and those of frozen vegetables the same to slightly larger. Slightly more potatoes are available this fall and winter than a year earlier.

Disappearance of cotton during 1960-61 may be larger than production of 14.2 million running bales. Domestic mill consumption will probably not exceed 8.5 million bales and exports are now estimated at about $6\frac{1}{2}$ million bales, leaving a smaller carryover at the end of the year, than on August 1, 1960.

U. S. mill consumption of apparel wool in 1960 is likely to be about 5 percent below 1959, and carpet wool mill consumption is also down from a year ago. Little change in mill consumption is likely in 1961.

Consumer demand for cigarettes, cigars and cigarillos is expected to continue to increase in 1961. Cigarette output in 1960 is estimated to be $4\frac{1}{2}$ percent above 1959 and a new record. Consumption of cigars and cigarillos is expected to total $2\frac{1}{2}$ percent larger, with output of smoking tobacco about the same.

Rosin supplies in 1960 are about 11 percent below a year ago, and prices are substantially higher. Production is increasing and prices are expected to decline in 1961. Turpentine prices in 1960 are the lowest in 11 years, mainly due to reduced industrial utilization.

Lumber production in 1960 is expected to total about 35 billion board feet, 5 percent below 1959; stumpage prices since mid-year have trended lower, reflecting weakness in lumber markets.

DOMESTIC DEMAND

The gross national product of the economy declined slightly from the second to third quarter of 1960, according to preliminary estimates. Business fixed investment outlays leveled off and the rate of inventory accumulation adjusted downward from the high first quarter rate. Disposable personal income reached a record high in the third quarter of this year, more than 5 percent above a year earlier. The rate of increase in personal income, however, slackened in the third quarter, and personal consumption expenditures fell fractionally from the second quarter rate. With sales of consumer durables and nondurables down some from the highs reached earlier in 1960, and with reduced demand for inventories, industrial output declined in August and September to 108 (1957=100) and 107, respectively, after staying within a narrow range of 111-109 for earlier months of 1960. However, the volume of new orders flowing to manufacturers picked up in August and September.

Consumer Incomes and Expenditures

Consumer incomes continued at record levels in 1960. The seasonally adjusted annual rate of disposable personal income for the third quarter 1960 was more than 5 percent above a year earlier. The rate of increase in personal income, however, slowed in the third quarter of 1960. Although slackness has developed in the economy, consumer incomes are expected to total somewhat higher in 1961.

With consumer incomes at record highs, personal consumption expenditures in the second quarter 1960 reached a record annual rate of \$329 billion, almost 5 percent greater than a year earlier. Expenditures in the third quarter 1960 fell fractionally from the second quarter rate. A decline of 4.5 percent in expenditures for durable goods, coupled with slightly reduced purchases of nondurables, more than offset a 1.6 percent rise in expenditures for services. With a slight reduction in the expenditure rate in the third quarter, income saved by consumers rose to 8.1 percent of disposable income, as compared with 7.1 percent in the previous quarter and 6.6 percent a year earlier when the steel strike was in effect.

Table 1.--Consumer income, spending and saving, third quarter 1959 to third quarter 1960, seasonally adjusted annual rates

Item	1959		1960		
	III	IV	I	II	III 1/
	Bil.	Bil.	Bil.	Bil.	Bil.
	dol.	dol.	dol.	dol.	dol.
Personal disposable income	338.5	342.4	347.0	354.1	357.5
Consumer expenditures for goods and services	316.0	319.6	323.3	329.0	328.5
Durable goods	44.0	43.5	44.2	44.5	42.5
Automobiles and parts	18.2	17.4	18.5	18.9	n.a.
Furniture and household equipment	19.1	19.2	18.9	18.7	n.a.
Nondurable goods	148.0	149.6	150.5	153.5	153.0
Food and beverages	78.0	79.1	79.5	81.4	n.a.
Clothing and shoes	27.6	27.8	27.8	28.3	n.a.
Other	42.4	42.7	43.2	43.8	n.a.
Services	124.1	126.6	128.6	130.9	133.0
Personal saving	22.5	22.8	23.7	25.2	29.0
Savings as a percent of disposable income	6.6	6.7	6.8	7.1	8.1

1/ Preliminary estimates by Council of Economic Advisers.

n.a.- Not available.

Department of Commerce except as noted.

The continued strong demand for food was a major factor sustaining non-durable purchases. Consumer expenditures for food and beverages rose to a record \$81.4 billion in the second quarter of 1960, up \$3.2 billion from the year earlier. However, dollar sales of retail food stores in July-September were down slightly from the record June level, but were 5 percent above the year ago. Prices of food purchased for home use were up about 1 percent over the same period. With charges for marketing farm food products in the third quarter also up about 1 percent from a year ago, farmers' share of the retail food dollar remained at 38 cents.

Consumer expenditures for durable goods reached a record annual rate of \$44.5 billion in the second quarter of 1960, but declined \$2 billion during the third quarter to a level more than 3 percent below the year earlier. The reduction in expenditures for durables probably reflected some postponement of purchases as the rise in disposable income slowed. Retail sales of furniture and appliance stores reached a peak in August 1959 and have drifted downward since that date. Sales of this group in July-September were down 5 percent from a year ago, mainly reflecting the decline in residential construction during the past year. Outlays for nonfarm residential construction in September were 13 percent below September 1959. Retail sales of the automotive group also declined from the peak reached earlier this year and in July-September were 5 percent below the year earlier. Dealers' sales of new cars picked up in late September and in the first two-thirds of October sales were averaging a little above a year ago.

Expenditures for services continued to rise in 1960; the third quarter seasonally adjusted annual rate of \$133 billion was 7 percent above the corresponding 1959 period. This series has risen every quarter since 1947 in both current and constant dollars, even when disposable personal income declined moderately in each of the previous three postwar recessions.

Private Investment

Private investment expenditures declined \$5 billion from the second to the third quarter of 1960, due to a movement from a rapid accumulation of inventories in the second quarter of 1960 to no change during the third quarter. Fixed investment (excluding inventory change) in the third quarter, at an annual rate of \$70.5 billion, was slightly above the second quarter but 4 percent above both the first quarter of 1960 and a year ago. Producers' durable equipment, and industrial, commercial and public utility construction rose, while private nonfarm residential outlays declined further.

Table 2.--Investment expenditures, third quarter 1959 to third quarter 1960, seasonally adjusted annual rates

Item	1959		1960			
	III	IV	I	II	III	1/
	Bil.	Bil.	Bil.	Bil.	Bil.	Bil.
	dol.	dol.	dol.	dol.	dol.	dol.
Gross private domestic investment	67.5	70.8	79.3	75.5	70.5	
New construction	41.1	39.4	40.8	40.7	40.5	
Residential nonfarm	22.6	21.3	21.4	21.3	21.0	
Other	18.5	18.1	19.3	19.4	19.5	
Producers' durable equipment	26.5	26.8	27.1	29.5	30.0	
Change in business inventories	-.1	4.7	11.4	5.3	.0	
Net exports of goods and services	-.2	-.4	1.2	2.0	3.5	

1/ Preliminary estimates by Council of Economic Advisers.

Department of Commerce except as noted.

Inventory Buildup Ends

Businessmen held their stocks steady in the third quarter, compared with an accumulation of \$11.4 billion in the first quarter and \$5.3 billion in the second quarter of 1960. In the third quarter of 1960 nonfarm business inventories declined a little while there was some accumulation at the farm level.

Manufacturing and trade sales have declined 4 percent since April, but were slightly above a year ago. At retail, sales have trended lower since April, declining about 4 percent, but they were over 1 percent above a year ago. Durable goods sales in September were down 8 percent, and nondurable goods sales $2\frac{1}{2}$ percent, from April.

Manufacturers' sales in September totaled \$29.9 billion, seasonally adjusted, down 4 percent from January, but about unchanged from a year earlier. Since early 1960 sales of durables were down the most, but nondurable goods have been weak since April. The volume of new business flowing to manufacturers picked up in August and September, mostly due to a sharp increase in orders of aircraft and electronic firms. There also was improvement in the ordering of fabricated metals and building materials.

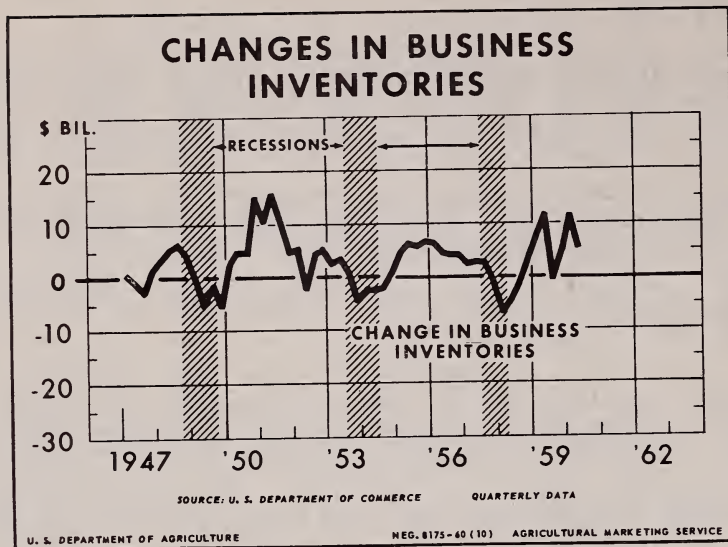
Manufacturing and trade inventories, while down \$300 million since June, were \$4 billion above September 1959. Nearly three-fourths of the increase was in manufacturing, with the largest proportion among durable goods industries. There also has been some accumulation at retail and wholesale levels, each at the end of September held stocks valued at about \$0.5 billion more than a year earlier. With manufacturing and trade sales down more than inventories, stock-sales ratios have climbed in recent months to levels above a year ago.

Table 3.--Manufacturing and trade stock-sales ratios, third quarter 1959 to third quarter 1960, seasonally adjusted

Item	1959		1960		
	III	IV	I	II	III
Total	1.48	1.48	1.48	1.50	1.55
Durables	1.92	1.93	1.90	1.97	2.06
Nondurables	1.17	1.18	1.18	1.16	1.19

Department of Commerce. Ratios computed by AMS.

Most of the increase in book value at retail over the past year was in nondurable goods with general merchandise stocks up about \$200 million, food \$80 million and apparel \$20 million. Among durable goods stores the value of stocks of autos and furniture and appliances were each up about \$60 million. In terms of number of new cars, dealers' inventories at the end of September were up nearly 250,000 from a year earlier to a level of 850,000, with total stocks about evenly distributed between 1960 and 1961 models.



Of the \$2.9 billion increase in manufacturers' stocks during the past year, about half was accounted for by increased holdings of machinery and primary metals firms, which were each up about \$700 million. Stocks held by chemical and motor vehicle firms were up about \$300 million while textile and paper firms each held about \$200 million more.

Capital Spending Levels Out

Expenditures for new plant and equipment during the third quarter of 1960 are estimated at an annual rate of \$36.9 billion, 11 percent above a year ago, according to the most recent survey conducted by the Securities and Exchange Commission and the Department of Commerce. Spending rose \$1½ billion from the fourth quarter of 1959 to the first quarter of 1960, \$1.2 billion from the first to the second quarter, and \$600 million from the second to the third quarter. From the third to the fourth quarter, spending is expected to hold steady. For 1960 total capital spending is anticipated to be \$36.4 billion, 12 percent above 1959. The biggest gains will be in manufacturing which is about a fifth higher. Railroad and communication company outlays will be up around 15 percent above 1959, with other nonmanufacturing up about 5 percent.

The leveling out of capital spending in the last half of 1960 reflects some weakness in manufacturing and retail sales since last spring. In some industries, especially steel, present capacity is larger than the needs for current production. Profit rates have declined, even though prices have been relatively stable. Corporate profits before taxes in the second quarter of 1960, were at a rate of \$45.7 billion, down \$3 billion from the first quarter and \$6 billion from the second quarter of 1959.

Private Construction
Steady

Expenditures for new construction, at a rate of \$40.5 billion in the third quarter, were slightly lower than the first half, and $1\frac{1}{2}$ percent below a year ago. Residential (nonfarm) outlays dipped to \$21.0 billion, 7 percent below a year ago, while other outlays were 5 percent higher. Among the other outlays, the largest relative gains were for industrial structures. Other major groups: commercial, private schools, churches, farm structures, public utility facilities, etc. were above September 1959.

Private nonfarm residential building declined from the second to the third quarter of 1960. New private housing starts in September, at an annual rate of 1,077,000, were down 17 percent from August and 29 percent below a year ago. In September, applications for Federal Housing Administration commitments and requests for Veterans Administration appraisals were also below levels earlier in 1960 and substantially below a year ago.

The number of occupied housing units has continued to expand in the past year, but less than the available supply of housing, resulting in a rise in vacancies, especially among rental units. Residential mortgage markets have eased coincident with changes in Federal Reserve credit policies earlier this year. In recent months, yields on FHA insured and VA-guaranteed home loans have edged lower along with slightly lower interest rates on conventional loans. The yields on alternative long-term investments have declined more and the spread recently has been the widest since 1958. In other periods such an increase in the spread has attracted more funds into mortgages and tended to stimulate housing activity.

Government Demand

Government purchases of goods and services in the third quarter were at an annual rate of \$100.5 billion compared to \$98.6 billion in the second quarter and \$98.1 billion a year ago. Spending by the Federal Government in the third quarter of 1960 was about a billion dollars below a year earlier, due to a decline in national defense outlays, but spending by State and local Governments was up \$3 $\frac{1}{2}$ billion.

According to the 1961 Federal Budget Midyear Review, published in early October, estimated budget expenditures of \$80.4 billion are \$3.2 billion larger than in 1959-60. From 1958-59 to 1959-60, budget expenditures declined \$3.7 billion. The Department of Commerce estimates, based upon the 1961 Midyear Review, that purchases of goods and services by the Federal Government will reach \$54.0 billion in 1960-61 compared to \$52.4 billion in 1959-60. From fiscal years 1959-60 to 1960-61 increases in space programs and higher wage and salary payments will boost national defense spending by about \$0.5 billion. Higher CCC price support activity, due principally to the anticipated increase in the 1960 crop of grains, will increase purchases by close to \$0.5 billion. Aviation, public works programs and higher Federal employee pay are expected to raise "other" Federal Government purchases in 1960-61.

Purchases by State and local governments in the third quarter of 1960 at \$48.0 billion were 8 percent above a year earlier. New construction by State and local governments in the third quarter of 1960 totaled \$4.0 billion, up 6 percent from a year ago; highway construction was up 5 percent. State and local government employment of 6.1 million in the third quarter of 1960 averaged 300,000 above the 5.8 million a year earlier. In addition, wage rates have risen. State and local government purchases are expected to continue to rise in the coming year, perhaps by as much as the \$3 billion average increase of recent years.

Table 4.--Government purchases of goods and services, third quarter 1959 to third quarter 1960, seasonally adjusted annual rates

Item	1959		1960		
	III	IV	I	II	III 1/
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.
Government purchases of goods and services 2/	98.1	96.4	97.5	98.6	100.5
Federal 2/	53.6	52.5	51.8	51.7	52.5
National defense	46.1	45.5	44.9	44.7	45.0
State and local	44.5	43.9	45.7	46.9	48.0

1/ Preliminary estimates by Council of Economic Advisers.

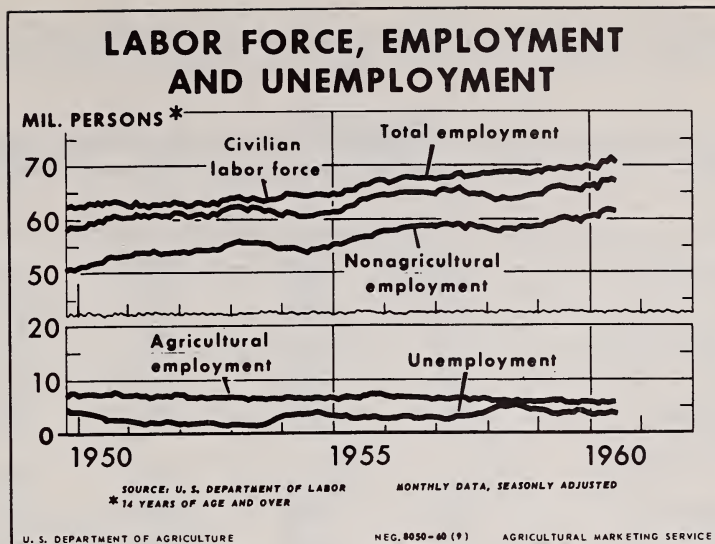
2/ Less Government sales.

Department of Commerce except as noted.

Production and Employment

Gross national product, deflated for price changes, in the third quarter was at an annual rate of \$494.1 billion (1959 prices), about 3 percent above a year ago. The increase in real gross national product generated 900,000 more jobs (excluding Alaska and Hawaii) between the third quarters of 1959 and 1960. Real gross national product and industrial production eased slightly from the second to third quarter of 1960, and civilian employment, seasonally adjusted, dipped 273,000 from an average of 67.2 million to 66.9 million in the third quarter of 1960.

Employment in manufacturing in the third quarter averaged 57,000 higher than a year earlier. Durable goods employment was generally below a year ago, except for iron and steel firms, which were shutdown due to a work stoppage during most of the third quarter of 1959. Employees in nondurable goods industries in the third quarter totaled a little below a year ago, with textiles, apparel, rubber, and leather down the most. Private nonmanufacturing employment was about 400,000 higher in the third quarter of 1960 than a year earlier. The biggest gains were in trade, finance and service employment. Employment by Government was up around 300,000, with practically all the increase among States and local governments.



The civilian labor force, excluding Alaska and Hawaii, totaled 71.7 million people in the third quarter of 1960, 1.2 million above a year earlier. This gain was about a quarter of a million more than the rise in employment. Unemployment as a percent of the civilian labor force averaged 5.7 percent in the third quarter of 1960 compared to an average of 5.4 percent a year earlier.

Average weekly hours have declined since early 1960, and in the third quarter weekly hours of production workers in manufacturing averaged 39.7 compared with 40.3 a year earlier. Hourly wage rates averaged \$2.29 in the third quarter, up 8 cents from a year earlier, while average weekly earnings reached \$90.85, compared to \$89.27 in July-September 1959.

Production Dips

After holding at 109-110 (1957=100) for five months, the Federal Reserve Board's index of industrial production declined in August and September from the July level. The index in September, at 107, was 4 percent above a year ago. Declines in output from July were general, except for rising production of 1961 autos, and virtually no change in food. Steel production in October continued at around 55 percent of capacity, even though there has been a slight improvement in new orders. Production of consumer goods held fairly steady during the third quarter, with a rise in autos just about offsetting declines in appliances, apparel, and staples such as consumer fuel, drugs, soap and toiletries, and newspapers, magazines and books. Production of business equipment declined during the third quarter of 1960, and in September was a little below a year ago, led by a decline in production of farm equipment.

Table 5.--Index of industrial production, market groupings, third quarter
1959 to third quarter 1960, seasonally adjusted

Item	(1957=100)					
	1959			1960		
	III	IV	I	II	III	
Industrial production	105	104	110	109	108	
Consumer goods	112	111	114	116	115	
Automotive products	106	92	121	120	116	
Home goods and apparel	119	120	118	120	118	
Home goods	120	122	118	119	1/116	
Consumer staples	109	110	111	113	114	
Equipment, including						
defense	103	102	103	103	103	
Business equipment	104	104	105	105	105	
Farm equipment	123	108	99	89	1/81	
Materials	101	102	109	107	105	

1/ July-August average.

Board of Governors, Federal Reserve System.

Price Trends

The index of wholesale prices of all commodities in the third quarter was 119.4 (1947-49=100), the same as a year earlier. Prices of nondurables were about unchanged from a year ago. Processed food prices were higher while farm products were down about 1 percent. Increased cattle slaughter has improved supplies of hides, and prices are down sharply from the high level a year ago. Prices of fuel, chemical, rubber and paper products were higher, while textiles and apparel prices were about the same as July-September 1959. Durable goods prices have declined since early 1960 and were about 0.5 percent below a year ago in the third quarter. With lower building activity, lumber and wood prices have declined. While agricultural, construction, and metal working machinery and equipment prices in the third quarter were about 2 percent above a year ago, motor vehicles and electrical machinery prices were down about the same amount.

Retail Prices Rise

A Little

The index of urban consumer prices in the third quarter was 126.7 (1947-49=100), slightly higher than the second quarter, but 1.4 percent above a year ago. Prices of all commodities were up less than 1 percent; the cost of services was nearly 3 percent higher. Food at home in the third quarter averaged 117.6, up about 1 percent from a year ago. The cost of food away from home (restaurant meals, etc.) was up about 2 percent. Prices of nondurable goods other than food were up about the same as food. Prices of durable goods were down about 2 percent reflecting weakness in final demand for durable goods along with

heavy stocks of new cars and most other consumer durable goods. Prices paid by farmers for family living items in October averaged about the same as the year earlier.

Table 6.--Indexes of farm and nonfarm prices for September and December 1959, and March, June and September 1960

(1947-49=100)						
Item	1959		1960			
	Sept.	Dec.	March	June	Sept.	
Farm:						
Prices received	86	84	89	87	87	
Crops	89	88	90	89	90	
Livestock	88	82	88	85	86	
Prices paid, interest, taxes						
and wage rates	118	119	120	120	119	
Family living items	118	119	118	119	119	
Production items	111	111	113	112	111	
Nonfarm:						
Wholesale prices	119.7	118.9	120.0	119.5	119.2	
Durable goods	146.4	146.6	146.5	145.8	144.9	
Nondurable goods	105.0	103.8	105.5	105.2	105.2	
Consumer prices	125.2	125.5	125.7	126.5	126.8	
Durable goods	112.8	113.8	112.5	111.5	110.0	
Nondurable goods	118.8	118.5	118.3	119.8	120.3	
Services	146.9	147.8	149.2	149.7	150.8	

U. S. Department of Agriculture and Labor.

Money and Credit

During 1960 the Federal Reserve System has taken a series of actions to promote easier credit conditions, including reduction of reserve requirements for central reserve city banks, increased reserve eligibility of vault cash, and reduction of discount rates from 4 to 3 percent by all Reserve Banks. Since March the System has contributed to credit ease through open market operations. Holdings of U. S. securities by Federal Reserve Banks increased nearly \$1½ billion between March and late October but were offset in part by further gold exports. Member bank reserves increased from \$18.3 billion for the week ended July 6 to \$18.8 billion for the week ended October 26. Free reserves (excess reserves less member bank borrowings) in the first week of July were a minus \$5 million and were \$348 million in the week ended October 26, 1960. The substantial improvement in the commercial banks' ability to expand their loans and investments, along with a reduction in the Treasury short-term debt and heavy non-bank demand for short-term securities resulted in a sharp drop in short-term interest rates during the first half of 1960. Since mid-year yields on intermediate-and-long-term U. S. securities and corporate, and State and local bonds have declined sharply.

Loans of the banking system between the end of June and the end of September 1959 increased nearly \$4 billion compared to a \$1.2 billion rise in the comparable period of 1960. Business loans of weekly reporting member banks between June 29 and October 26 declined \$210 billion compared to a gain of \$1 billion in the same period of 1959. Consumer credit outstanding increased at about an annual rate of \$4.8 billion in the first half of 1960, but rose only \$2.4 billion in the third quarter. The volume of credit extended on autos and other consumer goods paper dropped from an annual rate of \$3.3 billion to \$.8 billion in the third quarter as durable goods sales dipped $4\frac{1}{2}$ percent. Flotations of long-term securities were fairly heavy in the third quarter of 1960 in comparison to a year ago, particularly for issues of corporations and State and local governments. While the rise in the Federal public debt outstanding during the third quarter of 1960 was substantially below a year earlier, there was a large volume of advance refunding of long-term bonds which lifted the demand for long-term funds.

FOREIGN DEMAND

Foreign industrial activity and world trade have risen more or less continuously since mid-1958. World industrial production in 1959 was 10 percent above the recession year 1958. By mid-1960, the rate of industrial production in Western Europe was 10 percent above 1959. The value of world trade, which had risen 6 percent from 1958 to 1959, rose an additional 10 percent by the first quarter of 1960. These increases took place under conditions of relative stability, as the rising cost of services and some industrial raw materials was offset by declining food prices.

Rising output abroad of both primary and manufactured products during the past two years reflected the competitive strength in world trade of the Western European countries and Japan and enabled them to earn large balance-of-payments surpluses. These conditions made possible the return to practically full freedom on current payments, some relaxation of discriminatory trade restrictions on dollar goods, and a liberalization of outward capital movements which brought with it increased international activity of commercial banks. Industrial countries made further gains in their gold and dollar reserves despite some increase in providing capital for economic development abroad, prepayment of obligations to international agencies and the United States, as well as increased subscriptions to the International Monetary Fund. By the end of 1959, however, production in some foreign countries pressed against available capacity and supplies of labor, and anti-inflationary measures were invoked, including a general upward revision of interest rates.

U. S. Balance of Payments

The increased competitiveness of foreign industrial countries was only one factor in the sharp increase of the balance of payments deficit of the United States from \$1.6 billion in 1957-58 to \$3.8 billion in 1958-59 (excluding in the latter year a \$1.4 billion subscription to the International Monetary Fund) and a deficit of \$3.1 billion in 1959-60. The merchandise trade balance changed from a surplus of \$4.3 billion in 1957-58 (due in part to soaring

exports during the Suez crisis) to a surplus of only \$1.8 billion in 1958-59, and a surplus of \$2.5 billion in the year ending June 30, 1960. Exports declined from the Suez-high and remained low until the latter part of 1959. Imports rose substantially during 1959 and stabilized thereafter. Much of the change in trade was due to temporary factors which included: A rise in imports and decline in exports of metals associated with the U. S. steel and copper strikes; a lag in deliveries of commercial aircraft during the changeover to jets; and variations in foreign purchases of U. S. cotton.

Throughout the postwar period, the net merchandise export surplus has been exceeded by net U. S. payments on other transactions. Such payments include military expenditures abroad and the outflow of economic aid grants and government and private capital. Only partly offsetting these capital outflows were long term foreign investments in this country, foreign repayments of government loans and net receipts from unrecorded transactions. During the latter half of 1959, however, net non-trade payments were somewhat smaller than usual as the outflow of both U. S. private and government capital declined and the inflow of foreign capital increased.

However, during the first half of 1960 while private U. S. capital investment abroad remained relatively unchanged from the latter half of 1959, the net inflow of foreign investment capital declined and there was a fairly substantial net outflow on unrecorded transactions. Thus, in the first half of 1960 less than half of the improvement in the trade balance was reflected in a reduction in the balance of payments deficit, which was still running at an annual rate of close to \$3 billion. Moreover, during July and August, despite further improvement in the trade balance, there was a more than seasonal increase in the outflow of gold and dollars; net transfers to foreign countries averaged \$500 million, compared with a monthly average of \$235 million during January-June 1960.

The large net outward movement of capital in recent months has reflected the disparity in relative interest rates between the United States and other financial centers and the generally higher yields obtainable on capital abroad. The return of convertibility and freedom for capital movement for major world currencies has had as its counterpart fairly sharp swings in the balance of payments of various countries as a result of capital flows. With a continued large U. S. export surplus, price stability and the recent reductions in the discount rates by foreign central banks, the rate of capital outflow from the United States may be expected to slacken.

Foreign Gold and Dollar Assets Continue to Increase

During fiscal year 1959-60, foreign holdings of gold and dollar assets increased by about \$4 billion, of which \$3.1 billion were derived from the United States. The major part of the increase, \$2.0 billion, was in the form of U.S. short-term banking liabilities to foreigners. In addition, foreign holdings of U. S. Government bonds and notes rose \$667 million and the net outflow of gold totaled \$383 million. Foreign banks and official institutions also obtained about \$880 million of gold from new production and other sources. All of the

Table 7.--United States balance of payments 1/
1958-59, 1959-60 and April-June 1959 and 1960

Item	April-June 2/				
	1958-59:	1959-60	1959	1960	Change 1960 from 1959
	Billion dollars	Billion dollars	Billion dollars	Billion dollars	Billion dollars
<u>United States Receipts</u>					
For U. S. merchandise	15.9	18.0	15.8	19.6	3.8
For U. S. services	7.1	7.5	7.0	7.5	.5
Repayments of U. S. Government loans	.7	.9	.6	.6	.0
Foreign long-term investments in the U. S.	.3	.6	.8	.6	-.2
Unrecorded transactions, errors-omissions	.6	.1	1.4	-.6	-2.0
Total receipts	<u>24.6</u>	<u>27.0</u>	<u>25.6</u>	<u>27.7</u>	<u>2.1</u>
<u>United States Payments</u>					
For foreign merchandise	14.1	15.5	15.7	15.6	-.1
U. S. military expenditures abroad	3.2	3.0	8.1	8.4	.3
For other services	4.9	5.4			
U. S. government grants and loans	<u>3/3.2</u>	3.1	<u>3/2.4</u>	3.3	.9
U. S. private capital outflow	<u>2.3</u>	<u>2.3</u>	<u>3.1</u>	<u>2.5</u>	<u>-.6</u>
Total payments 4/	<u>28.4</u>	<u>30.1</u>	<u>30.1</u>	<u>30.6</u>	<u>.5</u>
<u>Excess of United States receipts or payments (-)</u>					
On goods and services	.7	1.5	-1.1	3.2	
On other transactions	<u>-4.5</u>	<u>-4.6</u>	<u>-3.5</u>	<u>-6.1</u>	
Net U. S. payments	<u>-3.8</u>	<u>-3.1</u>	<u>-4.6</u>	<u>-2.9</u>	

1/ Excludes military aid grants and exports financed thereby. Quarterly data adjusted for balance of payments purposes.

2/ Seasonally adjusted annual rate.

3/ Excludes U. S. subscription to the International Monetary Fund of \$1,375 million of which \$344 million was in gold.

4/ Includes private remittances and government pensions and other transfers.

U. S. Department of Commerce.

net increase in the reserves of foreign countries was in the assets of the more industrialized countries, with Western Germany alone increasing its holdings by \$1.5 billion. The less developed countries as a whole lost small amounts of gold and dollars, with the largest decline in Venezuelan assets. For most underdeveloped countries, foreign exchange budgets are geared to their development plans and no substantial rise in reserves can be anticipated, even during periods of high foreign industrial activity and rising demand for their exports.

Agricultural Exports in Fiscal Year 1959-60

The volume of agricultural exports in 1959-60 set a new record. The value of exports, at \$4.5 billion, was second only to the \$4.7 billion exported two years earlier. Exports of all major commodity groups, except tobacco, increased during the year, compared with 1958-59. Cotton exports, at 6.6 million bales, valued at \$826 million accounted for half of the total increase in agricultural exports and about a fourth of the rise in the total U. S. export surplus.

Exports under Public Law 480 and Mutual Security Act totaled about \$1.3 billion, the same as in the previous year. Exports from commercial stocks for dollars were \$3.2 billion, the second highest on record. All of the cotton, practically all of the wheat, and bulk of the other grains exported for dollars received Government assistance through the payment-in-kind program. On the other hand, the record dollar exports of soybeans, prepared feeds and live-stock products moved abroad to a large extent without special Government assistance.

The bulk of the export gain during 1959-60 for both agricultural and nonagricultural commodities represented exports to the industrial countries and reflected both the high level of economic activity and consumer incomes in those countries. Agricultural exports also reflected the end of the textile recession abroad as well as the need to augment drought reduced supplies of feed grains in Europe.

The Outlook for Fiscal Year 1960-61

Generally high economic activity and consumer incomes abroad, the large and growing dollar reserves of industrial countries, continued large exports in support of the "Food for Peace" plan and general foreign economic development indicate that the volume of Agricultural exports in 1960-61 is likely to set a new record. Moreover, drought reduced harvest in Communist China may give opportunity for replacement of the Soviet Bloc as a source of foreign free world supplies. In terms of value, exports are likely to equal or exceed the 1959-60 total of \$4.5 billion.

The outlook for major commodities for the fiscal year ending June 30, 1961 is as follows: U. S. exports of wheat (including flour) are expected to be above last year's 512 million bushels and are likely to exceed the previous record of 549 million bushels exported in 1956-57. Adverse weather reduced the

Table 8.--Foreign production and United States production and exports of selected commodities, specified years ^{1/}

Commodity and year	Unit	Grains			Commodity and year	Unit	Other			
		Production		U. S. exports			Production		U. S. exports	
		Total	U. S.				Total	U. S.		
Wheat										
1950-54 avg.	:Mil. bu.	6,980	1,094	5,886	330	:Cotton	38.8	14.1	24.7	4.0
1957-58		7,660	951	6,709	403	:: 1950-54 avg.	:Mil. bales:	41.5	11.0	5.7
1958-59		8,700	1,462	7,238	442	:: 1957-58		44.4	11.5	3.1
1959-60		8,140	1,128	7,012	512	:: 1958-59		46.4	14.6	6.6
1960-61		8,450	1,368	7,082	550	:: 1959-60		46.8	14.3	6.9
						:: 1960-61				
Corn										
1950-54 avg.	:Mil. bu.	5,640	3,112	2,528	107	::Tobacco		7,811	2,184	5,627
1957-58		6,570	3,422	3,148	193	:: (leaf) ^{2/}		8,657	1,668	529
1958-59		7,350	3,801	3,549	213	:: 1950-54 avg.	:Mil. lb.	8,354	1,736	530
1959-60		7,925	4,361	3,564	222	:: 1957-58		8,469	1,797	529
1960-61		8,050	4,259	3,791	220	:: 1958-59		8,783	1,935	510
						:: 1959-60				585
						:: 1960-61				
Barley and oats										
1950-54 avg.	:Mil. bu.	6,860	1,568	5,292	41	::Fats and				
1957-58		7,180	1,738	5,842	120	:: oils ^{3/}	Thou.			
1958-59		7,565	1,891	5,674	149	:: 1950-54 avg.	: tons	25,039	5,935	1,251
1959-60		6,995	1,494	5,501	151	:: 1957-58		29,701	7,010	1,977
1960-61		7,350	1,593	5,757	120	:: 1958-59		31,305	7,965	2,094
						:: 1959-60		31,410	8,175	2,877
						:: 1960-61		32,225	8,375	2,800
Rice (rough)										
1950-54 avg.	:Mil. cwt.	3,959	50	3,909	20	::Soybeans ^{4/}		681	298	55
1957-58		4,277	43	4,234	18	:: 1950-54 avg.	:Mil. bu.	883	484	161
1958-59		4,790	44	4,746	20	:: 1957-58		1,005	580	198
1959-60		4,774	53	4,721	29	:: 1958-59		957	538	227
1960-61		n.a.	53	n.a.	29	:: 1959-60		983	562	230
						:: 1960-61				

^{1/} Production on United States crop year basis. Exports for fiscal year ending June 30. Exports of grains and oils include products. Data for 1960-61 estimated by Foreign Agricultural Service.

^{2/} Tobacco exports on a farm sales weight basis.

^{3/} Oil equivalent basis, includes oilseeds.

^{4/} Exports of soybeans and soybean oil for year ending September 30. Source: Foreign Agricultural Service and Agricultural Marketing Service.

n.a.--Not available.

crops of milling quality wheat in some European countries, and Argentina will have a smaller export surplus. Purchases by Western Europe of high quality wheat are thus expected to increase; and in addition there will be an opportunity to supply the markets of countries such as France which in most years is a net exporter. These factors should increase dollar sales, much of which will move under the International Wheat Agreement. Non-dollar sales may also increase as quantities programmed thus far under P. L. 480 for shipment before June 30, 1961 are close to 400 million bushels and additional programming to India under the second year of the 4-year agreement will take place after January 1.

Cotton exports are likely to be somewhat above the 1959-60 fiscal year total of 6.6 million bales despite a substantial increase in foreign free world production. Supplies in the communist countries are believed to be lower, free world consumption continues high, foreign stocks are low in relation to consumption, and continuation of the payment-in-kind program will keep U. S. cotton prices competitive with foreign growths.

Feed grain exports may dip slightly from the 1959-60 record of 12.8 million tons. Increased supplies of low quality wheat in Europe are likely to reduce that area's import requirements for feed grains. This factor is also likely to result in reduced exports of protein meal. On the other hand, indications are that competing exportable supplies are below last year, even though total foreign production is up.

Increased foreign free world production of fats and oils is not expected to affect materially U. S. exports. Prospective increases fall short of the growth in population and consumption. Moreover, this is an "off-year" for European olive production. Soybean exports are expected to be slightly above the record 133 million bushels of fiscal year 1959-60. Exports of vegetable oils, assisted by renewed programming under P.L. 480 to Spain, should about equal last year's total of 1.8 billion pounds. Exports of tallow are likely to surpass last year's record of 1.6 billion pounds, particularly with the increased processing abroad of U. S. inedible tallow for edible uses. On the other hand, lard exports will probably decline as a result of the decreased hog slaughter and reduced exports to Cuba.

Exports of other animal products are likely to show further increases over 1959-60, especially for nonfat dry milk, hides and skins and poultry meat. For dairy products the increase will be in foreign aid shipments. In the case of hides, rebuilding of Argentine herds together with the removal of import restrictions by Japan and other countries is causing a large U.S. export movement at relatively firm prices.

Tobacco exports are also expected to increase somewhat over last year's 457 million pounds (export weight). The U. S. flue-cured crop is considerably larger than last year and above average in quality. Under these conditions foreign purchases are usually substantial. Moreover, certain trade restrictions in the United Kingdom have been removed.

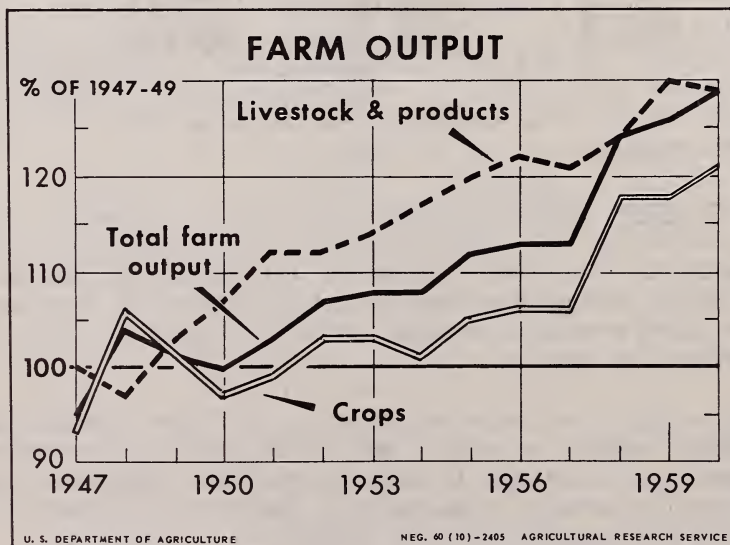
Rice exports may be slightly below last year's near record 20.5 million bags (milled basis). Lower exports to Cuba are not likely to be fully offset by increased programming under Public Law 480.

Exports of horticultural products in the aggregate may decline somewhat. The plus factors of high consumer incomes in many industrial countries and some easing of trade restrictions against imports from the dollar area, will be offset by reduced U. S. crops of fresh fruits and dried peas and beans and the likelihood that Cuban purchases will be further curtailed.

AGRICULTURAL SUPPLIES, PRICES AND INCOME

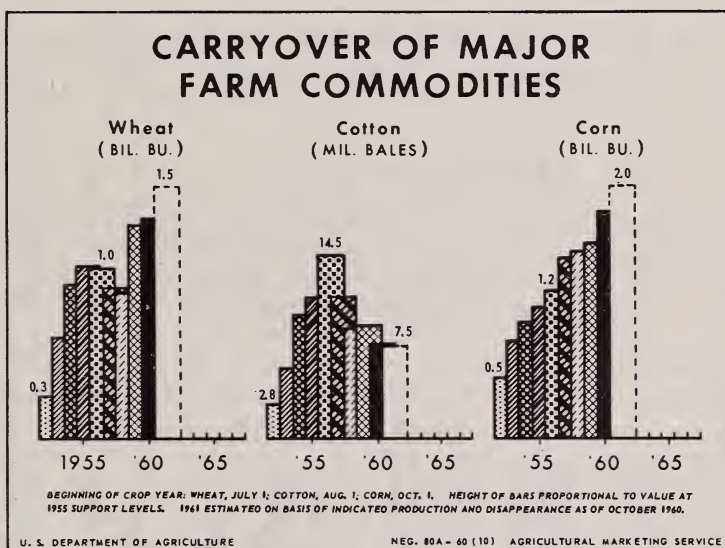
The 1960 output of farm products will probably set another record. Livestock production may be close to 1 percent below last year but crop output will likely be up around $2\frac{1}{2}$ percent. The small dip in overall livestock production largely reflects about a 4 percent drop in hogs and a 3 percent decline in eggs. These will be nearly offset by gains in cattle, broilers, turkeys and milk.

Prospects as of the beginning of October indicated substantial production increases from last year for a number of major crops. Average acreage planted to crops is fractionally smaller than in 1959 but yields average more than 3 percent higher. Production of wheat, one of the leading surplus crops, will be about 21 percent greater. Output of feed grains, also heavily in surplus, will be close to last year's record. Slightly smaller crops of corn and barley will be about offset by substantially larger production of sorghum grain and oats. Substantial increases are also in prospect for oilseeds and hay and forage; cotton production will be about the same as last year and flue-cured tobacco is up sharply.



Carryover Stocks

The problem of farm surpluses is currently concentrated in 3 commodity groups--wheat, feed grains, and cotton. Stocks of wheat at the beginning of the 1960-61 crop year were a little over 1.3 billion bushels, up about 1 percent from the year earlier and half again as large as in 1958. This year's production, second only to the 1958 record, indicates that carryover into the 1961-62 marketing year will be even higher, perhaps in the neighborhood of $1\frac{1}{2}$ billion bushels. Feed grain supplies, excessive for the past several years, will likely continue burdensome in the coming year. Feed grain stocks totaled about 75 million tons at the beginning of this year compared with 68 million at the beginning of 1959 and 59 million at the beginning of 1958. If disappearance this year equals last year's record, feed grain stocks will be higher at the beginning of the 1961-62 crop year. Cotton stocks have declined sharply in recent years, from $14\frac{1}{2}$ million bales in 1956 to 7.6 million bales at the beginning of this crop year. Disappearance in 1960-61 is expected to be slightly larger than the 1960 crop, so that the starting carryover next year will probably decline some.



Price Support Activity

The Commodity Credit Corporation was able to reduce its holdings of a number of commodities during the past year but the record feed grain crop in 1959 resulted in a substantial increase in CCC holdings of feed grains. On balance, CCC investment in farm commodities pledged for loans and in price support inventories increased fractionally in the year ending August 31, 1960 to a little more than \$8.8 billion. Holdings of cotton, rice, and tobacco were reduced considerably but corn inventories increased by more than 20 percent and there were substantial increase in holdings of barley and grain sorghums. Wheat holdings increased by about 100 million bushels to $1\frac{1}{4}$ billion bushels.

Table 9.--Comparison of average prices received for selected commodities with parity prices and support prices for 1959 and 1960 crops

Commodity	Unit	Season average price		Support price		October 15, 1960	
		1958-59	1959-60	1959 crops	1960 crops	Average price received	Parity price
Tobacco							
Flue-cured	Ct. per lb.	58.2	58.3	55.5	1/ 55.5	61.4	63.0
Burley	Ct. per lb.	66.1	60.4	57.2	1/ 57.2	---	65.3
Food grains:							
Wheat	Dol. per bu.	1.75	1.7	1.81	1.78	1.74	2.35
Rye	Dol. per bu.	1.02	.994	.90	.90	.88	1.48
Rice (rough)	Dol. per bu.	4.68	4.60	4.38	4.42	4.61	5.88
Feed grains:							
Corn	Dol. per bu.	1.12	1.03	1.12	1.06	.99	1.62
Oats	Dol. per bu.	.580	.641	.50	.50	.597	.835
Barley	Dol. per bu.	.900	.853	.77	.77	.843	1.26
Grain sorghums	Dol. per cwt.	1.78	1.54	1.52	1.52	1.42	2.49
Oilseeds:							
Cottonseed	Dol. per ton	43.80	38.80	38.00	38.00	42.60	66.50
Soybeans	Dol. per bu.	2.03	1.97	1.85	1.85	1.94	2.89
Peanuts	Ct. per lb.	10.6	9.55	9.7	10.1	9.78	12.8
Flaxseed	Dol. per bu.	2.69	3.02	2.38	2.38	2.50	3.80
Dry edible beans	Dol. per cwt.	6.71	6.99	5.35	5.35	7.03	8.79
Cotton:							
American upland	Ct. per lb.	33.23	2/ 31.40	3/ 30.40	3/ 28.97	31.55	38.37
Wool (grease basis)	Ct. per lb.	36.4	43.3	62.0	62.0	39.5	73.7

1/ Under provision of P.L. 86-389, support mandatory at the level at which the 1959 crop was supported.

2/ Average price to April 1, 1960.

3/ Purchase price for Choice A cotton. Choice B loan rate is 23.18 cents for 1960 and was 24.70 cents for 1959.

Farm Product Prices

Prices at the farm level so far this year have averaged close to 2 percent below 1959. Livestock and product prices have been running 3 percent below while crop prices are averaging about the same. Lower cattle prices, accompanying a 55 percent increase in cattle marketings, together with lower sheep and lamb prices are responsible for lower average livestock prices this year. Prices of hogs, poultry, eggs, and milk are all higher than last year. Most of the sizable increases in crop production this year are in price-supported commodities while declines have been registered in some non-supported commodities. As a result, crop prices in 1960 have averaged unchanged from a year ago.

Prices Paid by Farmers

Prices paid by farmers this year have averaged slightly above a year ago. Prices paid for production items have been running about 1 percent below, with lower prices for feed and feeder livestock more than offsetting higher costs for items purchased from the nonfarm sector of the economy. Interest charges, real estate taxes and agricultural wage rates are well above last year. Prices paid by farmers for family living are up about 1 percent from 1959; most of the small increase is in home building materials and apparel.

Farm Income

Farmers' realized net income during the first three quarters of 1960 was at a seasonally adjusted annual rate of \$11.4 billion, about the same as a year earlier. It now appears that 1960 realized net farm income may equal or possibly exceed the \$11.3 billion estimated for 1959.

Cash receipts during the first three quarters of 1960 were almost 1 percent more than last year with a 3 percent larger volume of marketings more than offsetting a 2 percent decline in average prices. Marketings of both livestock and crops were above a year earlier. Prices received for livestock and products averaged below January-September 1959, while prices received for crops were about the same. Receipts from sales of all commodities totaled \$22.9 billion for the 9 months. Receipts from livestock totaled \$13.8 billion, down 2 percent because of lower prices for cattle and calves. Partly offsetting were larger receipts from wholesale milk, broilers, eggs, turkeys and hogs. A larger volume of marketings raised receipts from crops 5 percent from a year earlier to \$9.1 billion. Receipts were up for corn, wheat, potatoes, soybeans, tobacco, apples, and hay, while lower receipts were estimated for cotton, oranges, sorghum grain and barley.

Soil Bank payments this year are expected to total around \$365 million, about \$40 million above 1959 payments. Payments during 1960 under the 1959 Wool Incentive Program may be more than \$20 million below last year.

Production expenses so far in 1960 have been only slightly higher than a year earlier. Charges for interest, taxes, and wage rates have been running higher and production items bought from the nonfarm sector are also slightly higher priced than in 1959. But some important farm inputs have declined in price, notably feed and feeder livestock.

LIVESTOCK AND MEAT

Increasing livestock production and prospective gains in marketings dominate the meat animal outlook. Cattle slaughter during 1961 will probably be considerably larger than in 1960, although probably not large enough to halt the uptrend in herd numbers. Slaughter of fed cattle will continue large but most of the gain will be in non-fed cattle. Despite some easing in average slaughter weights, beef production will likely be large enough to supply around 90 pounds of beef per person next year, a new high, and 4 pounds above consumption in 1960.

Calf slaughter this year will be about 8 percent above a year earlier and a further gain is likely in 1961. However, a large proportion of the beef calf crop again is likely to be held for feeding or breeding, and the increase in slaughter probably will not be as large as in the same stage of the previous cattle cycle.

The price received by farmers for beef cattle in 1960 will average about \$2.00 per 100 pounds below last year. Greater declines were made in prices of feeder and stocker cattle and in calves than in slaughter cattle.

Under pressure of increased marketings, cattle and calf prices are likely to average somewhat lower in 1961. Lower grades of slaughter cattle may show more price weakness than other classes.

The outlook for cattle in 1961 should not be interpreted as meaning that all is well in the beef cattle industry. We are currently consuming beef at a near-record rate and cattle prices, while easing off, are still relatively favorable. However, the size of our cattle herd means that beef production and consumption in the next few years will set new records. The effect of increased supplies on prices probably cannot be pin-pointed too closely, but the price depressing force is certain. Cattle producers should also be alert to the possibility of cyclical increases in pork production coinciding with larger beef supplies sometime during the next 2 years.

Hog slaughter for about the first half of 1961 will likely fall a little short of slaughter this year, but the difference may be small by midyear. Hog raisers reduced production during the 1960 spring pig crop and early part of the 1960 fall crop. However, according to the report from 10 Corn Belt States producers apparently are increasing late fall and early 1961 spring farrowings. With some upturn in farrowings, hog slaughter may climb above a year earlier by the latter part of 1961. The gain in pork output at that time is expected to be moderate, and production for 1961 may total only a little larger than this year.

Hog prices next year will probably not average greatly different from this year. Prices probably will hold above a year earlier well into 1961. Price prospects later in 1961 will depend largely on the actual size of the 1961 spring pig crop and supplies of other red meats, but larger marketings next fall would likely drop hog prices below levels in the fall of 1960.

In recent years, hog production has usually increased for 2 years before turning downward. Should favorable conditions lead to a sharp increase in hog production in 1961 and 1962, pork supplies per person could again be pushed up to the 68-70 pound rate of 1955 and 1959 when prices of hogs dropped to low levels. The danger of overproduction is accentuated by the probable increase in supplies of beef and veal.

Sheep and lamb slaughter the first 9 months this year was about 4 percent larger than a year earlier. If slaughter in the remaining months of 1960 continues above last year, as now seems probable, the number of sheep and lambs on farms next January 1, will be close to last January's inventory. If sheep production does not show much change in 1961, slaughter will be close to or only slightly larger than in 1960.

Lamb prices to producers are about \$2.00 per 100 pounds below a year earlier. Prices will probably continue below last fall during the remaining months this year, but last fall's sharp break is not likely to be repeated. Prospects are for lamb prices in 1961 to average a little below this year. Marketings will be near the same level, but supplies of other meat animals will be larger and prices lower.

Meat consumption in 1960 is expected to be about 161 pounds per person, a pound or so larger than last year. The outlook for next year is for an increase of about 4 pounds per person. The increase will be mostly in beef. The average retail price for meats will probably be a little lower next year. Pork prices will probably not change much because of the small change in supplies per person. Consumer demand for beef is expected to continue strong but increasing supplies will probably result in lower prices.

DAIRY PRODUCTS

Commercial supplies of milk products will be a record high in 1961, although just slightly above levels of recent years. Commercial demand probably will again increase less than the population. Prices to farmers and consumers for dairy products will average above a year earlier through March, 1961. Thereafter, the level of price supports, to be announced before next April 1, will be an important determinant of those levels. Cash receipts from farmers' sales of dairy products are likely to increase slightly over 1960 to another new record.

Dairying has been a minor element in the surge in total agricultural output of the last decade, rising 9 percent in 1960 over 1947-49 compared with 29 percent for agriculture as a whole. Since beef cattle will likely average lower in 1961, and considering prospects for other factors influencing milk production, the increase in milk output in 1961 probably will exceed the advance of 1.1 billion pounds in 1960.

Total demand for milkfat in all forms has been declining for two decades. Per capita consumption in 1960 is about 25 pounds compared with 32 pounds 20 years ago. This is about equivalent to the decline in butter consumption which is a new record low in 1960 of 7.8 pounds compared with 17 pounds prior to World War II. Among other products, changes in the consumption of milk-fat

have been offsetting. In contrast to milkfat, demand for solids-not-fat has been increasing, with per capita consumption of about 48 pounds in the last few years compared with around 40 pounds 20 years ago. This reflects increases in demand for low-and no-fat milk products of both manufactured and fluid kinds, although the consumption of ice cream, cheese and some other items have also increased. In 1961, demand for milkfat (via several products, especially butter) probably will drop further; demand for solids-not-fat may be at least stable.

In the 1959-60 marketing year the price support program received 2.8 percent of the milkfat produced and 7.8 percent of solids-not-fat. Purchases in the first seven months of 1960-61 have been slightly below those in the same period a year earlier. If it were not for the decline in fat content of milk during the last decade, purchases of milkfat would have been three times as large as they actually were.

Milk prices to farmers have changed less than most other farm products the last 5 years, with some upward drift. Prices have been at or near the equivalent of supports during most of this period. The price support level on milk and butterfat has been increased through March 31, 1961 on the basis of legislation approved September 17, 1960. The only immediate effect following administrative action to implement this law was a small rise in the price of nonfat dry milk. The price of butter, though below a year earlier, was, along with cheese, slightly above the new, higher purchase price through October. However, some butter was sold to CCC during October, the first time for that month since 1957. No significant amount of cheese has been sold to CCC during the current marketing year.

POULTRY AND EGGS

Poultrymen are unlikely to have as good a year in 1961 as they have had in 1960. Prices for eggs, farm chickens, broilers, and turkeys in 1960 will average higher than in 1959, even though broiler and turkey prices at the end of 1960 may be lower than in December 1959. In 1961 egg, broiler and turkey prices are likely to move back toward 1959 levels.

The principal factors in the price outlook for 1961 are the prospective larger supplies of poultry meats throughout the year, and of eggs during the last half of the year. The recent leveling-off of the general economy is not a serious factor in the egg and poultry price outlook because retail prices of eggs, chicken, and turkey are relatively low compared with other main-course foods. In 1960 consumers are eating record quantities of poultry meat--29.2 pounds of chicken, 6.0 pounds of turkey, per person--and they are likely to increase consumption in 1961. Egg consumption in 1961 is likely to decline further from the 18-year low of 325 eggs consumed in 1960. Ten years ago, average per capita consumption of these products was: Chicken, 21 pounds; turkey, 4 pounds; and 389 eggs.

Egg prices are likely to continue higher than the year before for some months--probably through the first quarter of 1961. This is likely to induce a larger hatch of replacement chicks than last spring. As a result, the laying flock some time after mid-summer will be producing more eggs than in the corresponding months of 1960. Until then, monthly egg production will be lower than the year before. The reduction in the laying flock this year is the result of the 15 percent cut in the number of replacement chickens raised in 1960, the lowest since 1910. Volume of production is down less sharply, however, because of greater retention of hens.

Prospects for increased egg production in the last half of 1961 probably will begin to affect egg prices in the second quarter. This is because of the dependence of springtime egg markets upon storage demand, for both shell and frozen egg. In recent years, storage of eggs in the shell and the commercial production of liquid egg for freezing and other purposes have absorbed 12 to 16 percent of February-June production. The demand for storage depends greatly upon storers' expectations of a rise between spring and fall price levels. Storage will not be active unless springtime prices provide storers with a favorable hedge. Therefore, with relatively large supplies of fresh eggs expected for fall, storage demand is unlikely to be strong unless egg prices decline more than seasonally by mid-spring.

The production increases in prospect in 1961 for both broilers and turkeys will result partly from (1) the pressures toward increase, related to the developing technology in those industries and the integrated form of organization common to both, and also (2) the favorable prices for broilers and turkeys through October 1960.

These factors are behind the 15 percent increase over last year in broiler hatchery activity since the beginning of September, and the 26 percent increase in the past 5 months in the number of pullet chicks sold for broiler breeder flocks. The recent increases in broiler chick hatchings indicate a large supply of broilers into the first quarter of 1961. The increase in sales by primary breeders of pullet chicks suggests a more-readily available supply of hatching eggs in the last half of that year. The price adjustment to the prospective increase in broiler supply may come before the end of 1960, heading off a repetition of the contra-seasonal broiler price increase which occurred in December 1959.

Preliminary indications also point to increased turkey production in 1961, particularly for heavy turkeys, the class that increased in 1960. August and September hatches, and October 1 eggs in incubators, which are the basis for early-1961 turkey marketings, are up 30 percent from the year before. Farmers' intentions to keep turkeys for breeding are up 23 percent.

The larger prospective marketings of turkeys in early 1961, and the 37 percent larger storage holdings on October 1, suggest that the price runup which occurred late last year will not be repeated. Prices at the beginning of 1961 will be lower than a year earlier.

The outlook for poultry meat prices will probably be favored by a continuation of the rising trend in poultry meat exports, which in 1960 are accounting for more than 2 percent of production--for turkeys, exceeding the level of purchases for School Lunches.

OILSEEDS, FATS AND OILS

Supplies of edible fats, oils and oilseeds in 1960-61 are forecast at 14.1 billion pounds (oil equivalent), just 0.1 billion pounds less than the record quantity available last year. Smaller beginning stocks--mainly of soybeans--account for the reduction as output in 1960-61 is expected to be slightly above the previous year.

Domestic disappearance of food fats in the year ahead is expected to continue at the rate of about 46.5 pounds (fat content) per person. With growth in population, total domestic use should increase by over 0.1 billion pounds, indicating that the quantities of edible oils, lard and soybeans available for export in 1960-61 will be nearly as large as the record 3.9 billion pounds shipped abroad last year.

Current indications are that soybean exports in 1960-61 may total about 140 million bushels, about the same as last year. Exports of cottonseed and soybean oil are forecast at 1.5 billion pounds compared with the record 1,450 million pounds shipped in 1959-60. However, more soybean oil, but slightly less cottonseed oil, likely will move abroad in the current marketing year. Edible oil sales for dollars may be down some but exports under Government programs will be larger. Lard exports are expected to total about 600 million pounds, about 17 percent less than the previous marketing year.

The 1960-61 supply of soybeans is placed at 585 million bushels, just a little under the record level of the previous two years. Soybean prices to farmers during most of the current harvesting season are expected to average a little above the support rate of \$1.85 per bushel. Soybean prices later in the crop year probably will make more than the usual seasonal increase.

Soybean crushings in 1960-61 are forecast at 400 million bushels, not much different from the previous two years. Soybean oil prices in 1960-61 are expected to average about 15-20 percent higher than last year reflecting record exports and a new high in domestic consumption. Soybean meal prices are expected to average slightly lower than last year.

Cottonseed production in 1960-61 is placed at 5,915,000 tons, about the same as a year ago. Prices to farmers are expected to average about the same as the \$39 per ton received for the 1959 crop. Cottonseed oil prices likely will average slightly higher than last year, but meal prices are expected to average a little lower than in 1959-60.

Lard output in 1960-61 is currently forecast at 2,600 million pounds, about 5 percent less than last year. Lower output in the year ahead is expected to result in higher lard prices, less lard used in the manufacture of shortening and reduced exports.

The total supply of peanuts in the 1960-61 marketing year is placed at 2,125 million pounds, 2 percent more than a year earlier. Prices to farmers for 1960 crop peanuts will average slightly higher than the 9.6 cents per pound received last year, reflecting the 4 percent increase in support price. The 1960 peanut crop is far above food and farm uses, and CCC will likely acquire the surplus under the support program.

Flaxseed supplies in the 1960-61 marketing year are estimated at 34 million bushels compared with 37 million the previous year. Crushings of flaxseed for domestic oil use may be around 21 million bushels and another 4 million will be needed for seed and feed. With 3 million bushels needed as a minimum carryover, a maximum of 6 million bushels of flaxseed would be available for export. This quantity is expected to be exported at prices above those reflecting the support level. Prices to farmers will average above the 1960 support price of \$2.38 per bushel but well below the \$3.02 received for the 1959 crop.

Inedible tallow and grease output in 1960-61 is forecast at a record 3.7 billion pounds; 5 percent more than the previous year. Exports are forecast at 1.9 billion pounds compared with the record 1,750 million shipped out in 1959-60. The outlook for the year ahead is for inedible tallow prices to continue at a relatively low level and probably will not differ much from the previous year.

FEED

The total supply of feed grains and other concentrates for 1960-61 is estimated at 270 million tons, 3 percent over 1959-60 and nearly 30 percent above the 1954-58 average. The big supply this year is the result of another generally favorable growing season, big supplies of high protein feeds, and record feed grain carryover. After a late start, the 1960 growing season turned out favorable for both feed grains and forage crops. Feed grain production is within 1 percent of the 1959 record and the hay crop was about 2 percent below the record output in 1958. Feed concentrate supplies have trended upward sharply in the past 10 years, setting a new record each year since 1954.

The number of grain-consuming animal units on farms in 1960-61 is expected to fall slightly below the 1959-60 level. The decline from a year earlier will be greatest this fall and winter when fewer hogs and poultry will be on farms. But feeding rates per animal are expected to continue high. Even with continued heavy consumption of feed grains, carryover into 1961-62 is expected to rise again--probably to around 5 to 10 percent over the 75 million tons carried over into 1960-61.

Feed grain prices are slightly lower this fall than a year ago and probably will average a little lower for the entire 1960-61 feeding year. Another big crop, a slight reduction in livestock on farms and the lower support for 1960 corn are major factors affecting prices. The national average support price for 1960 corn is \$1.06 per bushel, 6 cents lower than in 1959. Price

supports for the other feed grains are the same as in 1959. Prices of corn and sorghum grain are below the support level but are expected to rise later in the marketing year to near or above the supports. Prices of both oats and barley are generally above the 1960 price supports, but are a little lower than a year earlier. Oat prices continue high this year relative to most other feeds, reflecting another short supply.

The 1960-61 corn supply totals over 6.0 billion bushels, 166 million bushels over last year and 1.5 billion above the 1954-58 average. After a late start, the 1960 crop matured to good quality and was only 2 percent below the record harvest in 1959. The 4.3 billion bushels produced this year are expected to again exceed total utilization and carryover is expected to increase to around 2.0 billion bushels on October 1, 1961.

The sorghum grain crop of 603 million bushels is 4 percent larger than the big crop last year. The total supply of nearly 1.2 billion bushels is over 4 times the supply of only 4 years ago. Carryover of sorghum grain is expected to increase from 581 million bushels in 1960 to over 600 million in 1961. The 1960-61 oat supply is about the same as the small 1959-60 supply and 13 percent below the 1954-58 average. The barley supply is 5 percent smaller than in 1959-60, but a little above average.

Supplies of high-protein feed available for domestic feeding are expected to be a little larger than in 1959-60. Export demand for oilseed meal is expected to be substantially lower in the first half of 1960-61 than a year earlier, leaving more for domestic use. Prices of protein feeds probably will average a little lower in the 1960-61 feeding year than in 1959-60.

WHEAT

The carryover of wheat at the end of the 1960-61 marketing year may be about 1,530 million bushels, over 200 million bushels above the record last July 1. A further increase in the carryover may occur by the end of the 1961-62 marketing year, if yields continue at the high level of recent years.

The total U. S. wheat supply, including imports, for the marketing year which began July 1, 1960, is estimated at 2,690 million bushels, 11 percent above the previous record a year ago. The 1960 crop was up 240 million bushels from the 1,128 million in 1959. The July 1, 1960 carryover of 1,315 million bushels was only 20 million larger than on July 1, 1959.

Exports, estimated for 1960-61 at 550 million bushels, would equal the all-time record reached in 1956-57 and be well above the 512 million exported in 1959-60. With domestic disappearance expected to total about 610 million bushels, slightly higher than in 1959-60, the carryover on July 1, 1961 may be about 1,530 million bushels.

Supply and distribution of wheat by classes shows a further substantial increase by next July 1 in the prospective carryover of hard red winter wheat, which will constitute about 80 percent of the total. A small increase is ex-

pected in hard red spring, and little change in stocks of soft red winter. Stocks of durum are expected to increase by about 8 million bushels to around 21 million. Because of very heavy exports from the Pacific Northwest in 1960-61, stocks of white wheat may be down by around 35 million bushels.

With the minimum national allotment of 55 million acres in effect for 1961, it is estimated that about 53 million acres may be harvested. Moisture has been favorable for germination and early growth of winter wheat in the Southwest. However, dry soils delayed seeding and germination in the Ohio River Valley. Assuming the 1956-60 average yield of 23 3 bushels, a crop of about 1,235 million bushels would be produced. This may be about 100 million bushels larger than likely disappearance.

Since harvest this year, wheat prices have been higher than usual relative to support levels. This strength reflects the large quantities withheld from the market and large scale exports. Because prices have risen to near or above the effective support level, further advances may be less than usual. Markets may display some temporary weakness at times.

Reflecting the market strength this year, U. S. prices to farmers in 1960-61 may average a little above the effective support, or slightly below the announced support level. This would be about the same as last year when the price averaged \$1.76 per bushel and the announced loan was \$1.81.

The "advance" minimum national average support price of \$1.78 per bushel for 1961-crop wheat was announced on July 5. This is the same as the 1960 average support price. The \$1.78 support for 1961-crop wheat is based on the July 1960 modernized parity price of \$2.37 per bushel. This "advance" minimum price will not be reduced; it could be raised if the parity price at the beginning of the marketing year should be higher.

RYE

The supply of rye for 1960-61 totals about 44.0 million bushels. This consists of a carryover of 10.4 million bushels, estimated production of 31.1 million and imports of about 2.5 million. This supply is 15 percent above the supply of 38.4 million bushels in 1959-60 but about the same as the 1954-58 average of 43.4 million bushels.

Domestic disappearance of rye in 1960-61 may total about 26 million bushels, compared with 22.7 million in 1959-60 and the 1954-58 average of 24.5 million. Rye exports may total about 5 million bushels which compares with 5.3 million in 1959-60 and 6.5 million, the 1954-58 average. Based on these estimates, the carryover July 1, 1961 may be about 13 million bushels, which is above the 10.4 million a year earlier and only slightly different from the average of 12.4 million in 1955-59. If the same acreage of rye is harvested in 1961 as the 1,576,000 acres in 1960 and if yields are about equal to the 17.3 average of the past 4 years, a crop of about 27.2 million bushels would be produced. With disappearance about the same as estimated for 1960-61, the carryover July 1, 1962 would be about the same.

The rye crop is being supported at a national average of 90 cents per bushel. In 1959-60, when the support rate was the same, the price to farmers averaged 99 cents. However, reflecting the much larger crop in 1960 than in 1959, rye prices this year will average lower than a year ago. In October this year, the price of No. 2 Rye at Minneapolis averaged 13 cents below prices in October 1959.

RICE

The supply of rice in 1960-61 totaled 65.9 million cwt., in terms of rough rice, consisting of the August 1 carryover of 12.1 million cwt., a crop of 53.4 million and imports estimated at 0.4 million. Domestic disappearance is estimated at 28.1 million cwt. Food use for continental U. S., Territories and military uses are estimated at 20.5 million cwt., slightly up from the 20.4 million in 1959-60; brewers use at 5.0 million, about unchanged from a year earlier; feed use possibly 0.5 million and seed 2.1 million. If we are to maintain our high level of exports, it will be necessary to develop markets for quality rice to replace the Cuban market. In the last 3 years, rice exports to Cuba averaged 5.4 million cwt. Exports will probably be between 28 and 29 million cwt. though the level will depend considerably on the size of the crops in the Far East which will be harvested next January. These estimates indicate a carryover August 1, 1961 of around 9 million cwt. This is below the 12.1 million cwt., August 1, 1960, and far below the record 34.6 million on August 1, 1956.

If about the same acreage of rice is harvested in 1961 as the 1,596,000 acres in 1960 and if yields equal the 32.76 cwt.--average of the past 3 years, a crop of about 52.3 million cwt. would be produced. This compares with 53.4 million in 1960 and the 1954-58 average of 51.4 million cwt. Domestic disappearance is estimated at 28.3 million cwt., which is about the same as the 28.1 million estimated for 1960-61. Exports will depend to a great extent on the size of the crops in importing and other exporting countries, but assuming exports at about 25 million cwt., the carryover of rice on August 1, 1962 would be reduced.

Rice prices received by farmers, including an allowance for unredeemed loans, have averaged above support levels in all years but 1951-52 and 1954-55. In 1959-60, they averaged 22 cents above the national support of \$4.38 per cwt. In 1960-61 they are expected to average well above the support rate announced at \$4.42 per cwt.

FRUIT

Consumer demand for fresh and processed fruit in 1961, supported by continued high income, is expected to equal that of 1960. Total supplies of fresh and processed fruits are likely to be a little smaller from now until mid-1961 than in this period of 1959-60, partly the result of the smaller 1960 crops. Assuming more favorable conditions next year, increases can be expected in both the 1961 deciduous crop and the 1961-62 citrus crop. Total production of tree nuts in 1961 probably will be larger than average, though smaller than the near-record 1960 crop.

Demand for fresh and processed fruits in Western European countries continues favorable and some import restrictions were removed in the summer and fall of 1960. U. S. exports of canned deciduous fruits may be somewhat larger in 1960-61 than last season as a result of an increase in the quotas for dollar imports of canned fruits into the United Kingdom. Though foreign competition in dried fruits will be relatively light in 1960-61, U. S. exports of dried fruits are not expected to exceed measurably those of last season, because U. S. supplies will not be greatly different from then. However, prospects for exports of most U. S. fresh and processed fruits in 1960-61 appear less favorable than in 1959-60, largely because of reductions in U. S. supplies. Moreover, larger crops of apples and pears in Western Europe and anticipated increasing supplies of fresh and processed orange and grapefruit items in Mediterranean and Southern Hemisphere countries point to smaller U. S. exports of these items in 1960-61.

Total production of deciduous fruits in 1960 is estimated to be about 8 percent smaller than the large 1959 crop but 1 percent above the 1949-58 average. Among 1960-crop fruits remaining to be marketed, the apple and pear crops are moderately smaller than in 1959, and grower prices continue above a year ago. In early November, New York City wholesale prices for cranberries from the record 1960 crop averaged moderately under a year earlier.

Though total production of deciduous fruits has increased slightly since the early 1950's, partly because of increased plantings, it has frequently changed considerably in size from year to year because of changes in the weather. Assuming at least average weather in 1961, we may expect a moderate increase in next year's deciduous crop. The level of prices received by growers for the 1961 crop probably will not be greatly different from 1960, but prices for individual kinds of fruit will tend to change in opposite direction to production.

Early-season prospects for the 1960-61 citrus crop pointed to production of early, midseason and Navel oranges, Florida Valencia oranges, tangelos, lemons and limes somewhat smaller than in 1959-60, of grapefruit about the same as last season, but of tangerines much larger. Among oranges for marketing this fall and winter, a small increase in the Florida crop of early and midseason varieties is more than offset by a decrease in California Navels. Pink and red varieties of grapefruit comprise a higher percentage of the crop this season than in 1959-60. Processor demand for oranges is again expected to be strong, and fresh market demand will likely continue high in 1961. Market prospects for grapefruit this fall and winter appear at least as good as a year ago. Season-opening prices for Florida oranges and grapefruit at shipping points and terminal auctions have averaged much higher than a year ago. Some increase in total production of citrus can be expected in 1961-62 if the weather is more favorable than in 1960-61, when the crops in Florida were reduced by hurricane Donna.

The 1960-61 packs of canned and dried fruits are expected to be moderately smaller than the 1959-60 packs. But carryover stocks are larger this season than last. Output of frozen deciduous fruits (excluding juices) in

1960 may not be greatly different from 1959. On October 22, stocks of Florida frozen orange concentrate from the near-record 1959-60 pack were substantially smaller than a year ago, while those of most canned single-strength citrus juices were materially smaller. Output of frozen orange concentrate is again expected to be heavy in 1960-61.

The 1960 crop of the 4 major edible tree nuts totals close to the record 1959 crop, though production of pecans and walnuts is up from 1959 and that of almonds and filberts is down. Prices received by growers for 1960-crop almonds and filberts are expected to average higher than for the 1959 crops, those for walnuts also may be up, but those for pecans probably will be down.

COMMERCIAL VEGETABLES

Fresh

Supplies of vegetables for fresh market sale for the remainder of this fall probably are the same to slightly larger than those of a year earlier. During the next few weeks more cabbage, cauliflower and broccoli are expected to be available than a year earlier. But indicated supplies of sweet corn, lettuce, tomatoes, green peppers, eggplant, and brussels sprouts are moderately to substantially smaller.

Processed

Because of larger packs this year, supplies of canned vegetables available for the 1960-61 season probably were close to those of last season, and frozen vegetables a little larger. However, movement so far this season has been heavier than last season, so that total remaining supplies of canned vegetables probably are a little smaller than a year ago.

Because of smaller supplies of some items, and increased processing and distribution costs, both f.o.b. and retail prices are expected to average moderately above those of last season.

POTATOES AND SWEETPOTATOES

Because of a 4 percent larger fall crop, slightly more potatoes are available for fall and winter markets than a year earlier. About three-fourths of the fall volume is in areas covered by marketing agreement and order programs. These programs, as in the past several seasons, will operate to restrict marketings of tablestock potatoes to the better qualities and preferred sizes. Processor demand is expected to continue strong, but with larger Canadian supplies and sharply curtailed movement to Cuba, total exports of U. S. potatoes are expected to be down materially. Prices received for russets in the West, where production was down slightly, may average close to those of a year earlier. But larger supplies of round white potatoes are likely to mean somewhat lower prices in the East and Midwest.

About a fifth less sweetpotatoes are available than a year ago. Prices are expected to advance from late October levels, and in most areas to average materially above those of a year earlier.

DRY BEANS AND PEAS

Quantities of dry beans available are slightly smaller than a year ago, with colored classes again in relatively small supply. Total quantity of white classes, though down moderately from last season, are substantially above average, with pea beans in very heavy supply. Total exports probably will be down from the high level of the past two seasons, with movement to Cuba down sharply. Prices to growers for colored beans are expected to be relatively high, though probably below the high levels of last season. Except for pea beans which probably will average close to support levels, prices of most classes of white beans may average close to last season and above support levels.

Supplies of dry field peas are materially smaller than a year ago, as a result of substantially less acreage and sharply lower yields. Allowing for average domestic use, only about half as many peas are available for export as last season. Although foreign demand may be down from the high level of last season, exports will be an important market factor. Prices to growers for Alaskas and other smooth green kinds are expected to average considerably above those of last season.

COTTON

Disappearance of cotton during the 1960-61 marketing year may be larger than the 1960 production of about 14.2 million running bales. The carryover on August 1, 1961 probably will be about 7.0 million bales, compared with 7.6 million bales in 1960. The 1960 carryover was down almost 50 percent from the record carryover of 14.5 million bales in 1956.

Disappearance in 1960-61 is expected to be around 15 million bales, compared with 16.2 million bales in 1959-60. Despite this decline, the 1960-61 disappearance will be the third largest since 1928-29. Domestic mill consumption in 1960-61 probably will be no larger than 8.5 million bales compared with about 9 million bales in 1959-60. Exports probably will total about $6\frac{1}{2}$ million bales, about 700,000 bales smaller than the very large exports of 7.2 million bales in the preceding season, but still the third largest in 26 years.

The decline in domestic mill consumption is indicated by a steady rise in the stock-unfilled order ratio for cotton broadwoven goods in recent months, declines in the value of fabric at the same time lower rates of mill consumption in August and particularly in September than a year earlier, and larger imports of cotton textiles and picker lap (slightly processed raw cotton).

Domestic consumption of cotton per capita in 1960 is estimated to be about the same as in 1959, approximately 24.1 pounds per person, after adjustment for imports and exports of textiles and picker lap.

Registrations under the payment-in-kind program for cotton for export during the current season were 3.4 million bales as of November 4. This compares with 3.2 million bales through November 6 a year earlier. Although production of cotton in the foreign free world is expected to increase about 1.5 million bales from a year earlier, foreign free world consumption is expected to remain large, exports to communist countries will increase, and foreign free world stocks will be built up. Larger demand will keep U. S. exports at a high level. In addition, relatively large U. S. Government programs to finance cotton exports will bolster shipments of cotton from the U. S.

The 1960 crop of cotton is being harvested from about 15,500,000 acres, approximately 440,000 larger than a year earlier. The 1960 yield of about 442 pounds per harvested acre compares with approximately 462 pounds per acre for the 1959 crop. Regionally, the West showed an increase in 1960 to 982 pounds per harvested acre compared to 975 pounds in 1959, but the other regions of the Cotton Belt had lower yields than in 1959.

The national acreage allotment for upland cotton for 1961 was set at 18.5 million acres, compared with total allotments, including Choice B additions, of 17.5 million acres in 1960. However, a larger share of the 1961 allotment was allotted to the Southeast than in 1960 and a smaller share was allotted to the West. In the past, the Southeast has had much larger underplanting of its allotments and much smaller yields than the West.

The average 14 spot market price for Middling 1-inch cotton in October was 30.22 cents per pound. This was the lowest monthly average at the designated markets since June 1946 and compares with 31.66 cents a year earlier. The difference between the two October prices reflects a lower Choice B loan rate for Middling 1-inch cotton, down 1.77 cents per pound in 1960-61 from 1959-60. The Choice A and Choice B support rates for 1960-61 were set at 75 and 60 percent of the February 1960 parity price for Middling 7/8-inch cotton. Under legislation now in force, there will be no Choice A and B programs after the current season. The support level for the 1961 crop of upland cotton can range between 70 and 90 percent of parity for average quality, at the discretion of the Secretary of Agriculture.

WOOL

Prices, mill consumption, and imports of raw wool are lower than a year earlier, while imports of wool manufactures are higher. The outlook for 1961 is for activity to be about the same as this year.

With little change in mill consumption likely in 1961, prices received by domestic producers for shorn wool will show much the same pattern in 1961 as in 1960. Some further decline is likely in the next several months as demand for apparel items continues weak. Prices may move up in the spring, reaching a peak around mid-summer. The incentive level for the 1961 marketing year (April 1, 1961 to March 31, 1962) has been set at 62 cents a pound for shorn wool, the same as each of the first 6 years.

World wool prices will remain relatively stable at present levels until late 1960 when some further decline can be expected, due to continued heavy offerings of wool and lower mill use in the major wool manufacturing countries. If mill activity in some of the major manufacturing countries turns upward in 1961, as expected, there probably will be some increase in world prices. The average auction price so far in the 1960-61 season has been below a year earlier and probably will average lower for the season.

U. S. mill consumption of apparel wool is expected to total about 245 million pounds in 1960 compared with 261 million pounds in 1959. This decrease of more than 5 percent is due primarily to continued strong competition of non-cellulosic man-made fibers and an increase in imports of wool manufactures. No major change appears likely for consumer expenditures in 1961 and larger imports of wool manufactures and strong competition from non-cellulosic fibers is expected to continue in the future. Therefore, total mill consumption in 1961 probably will continue at about this year's level. Carpet wool mill use is expected to be about 165 million pounds in 1960 compared with 168 million pounds in 1959. This decrease in mill consumption is due, in part, to a substantial decline in new residential construction.

Domestic consumption of wool--mill consumption plus the foreign trade balance of wool manufactures--in 1960 probably will equal that of 1959. Larger imports of wool manufactures will offset lower mill consumption. Thus, total wool consumed in the U. S. in 1960 will be about the same as the 550 million pounds in 1959.

Imports of dutiable wools will total about 75 to 80 million pounds during 1960 compared with 100.5 million in 1959. Unless there is a buildup of commercial stocks in the U. S. during 1961, approximately the same amount of dutiable wool is expected to be imported in 1961. Imports of duty-free wools will be around 150 to 155 million pounds in 1960 compared with 192 million pounds in 1959. This reduction of imports is due to slightly less mill use and the working down of commercial stocks of dealers and manufacturers. Duty-free imports during 1961 are likely to be about the same as the current year. Imports of woven fabric, knit wearing apparel, top, yarns, and carpets and rugs are expected to be above a year ago, while only imports of wastes and noils will be less.

Domestic production of woolen and worsted fabrics is expected to total about 300 million linear yards in 1960, about 10 million linear yards less than in 1959. Non-apparel items will decrease more than apparel fabrics. Men's and boys' apparel fabric production probably will be down more than that of women's and children's. With mill consumption of raw wool during 1961 expected to be about the same as 1960, woolen and worsted fabric production of around 300 million linear yards also is expected in 1961.

World production and trade in wool manufactures is leveling off and can be expected to decline in the next several months. World production of wool top, yarns, and fabrics in the leading manufacturing countries during January-June 1960 were above the first 6 months of 1959. However, only fabric production increased from the first to the second quarter of 1960, as output

of both top and yarns decreased. World consumption of raw wool will total about 3.2 billion pounds, clean content, in 1960, about the same as the Commonwealth Economic Committee's estimate of 3,193 million pounds for 1959.

The 1960-61 world wool production has been estimated by CEC at 5,560 million pounds, grease basis, 1 percent less than in 1959-60. The 1960-61 clip is estimated to have a clean equivalent of 3,166 million pounds, 2,541 million pounds apparel wools, 625 million pounds all other wools.

TOBACCO

Consumer demand for cigarettes, cigars and cigarillos is expected to continue to increase in 1961. As in several recent years, the quantity of leaf used in the year ahead may not show as much percentage increase as the number of cigarettes and cigars produced. In the past 5 years, the development and use of processed tobacco sheet and the trends towards filter tip cigarettes, smaller sized cigars, and cigarillos, have reduced leaf requirements per unit of output.

The 1960 output of cigarettes is estimated at a record 512 billion-- $4\frac{1}{4}$ percent more than in 1959. About 96 percent of total cigarette output is consumed by U. S. smokers and 4 percent is exported. It is estimated that utilization of sheet tobacco is at least 75 million pounds, or approximately 8 percent of the finished weight of tobacco in cigarettes.

The 1960 consumption of cigars and cigarillos by U. S. smokers is estimated at 7.2 billion, $2\frac{1}{2}$ percent more than in 1959 and the largest number since 1923.

The 1960 output of smoking tobacco is estimated at 73 million pounds--practically the same as in 1959 but fourth lowest on record. The 1960 outputs of chewing tobacco and snuff are estimated at about 65 million and $35\frac{1}{2}$ million pounds, respectively. Chewing tobacco is down about 4 percent from 1959 and a record low. Snuff tobacco is about $3\frac{1}{2}$ percent above 1959 and contrasts with a declining trend from 1955 to 1959.

Exports of unmanufactured tobacco in the 1959-60 marketing year totaled about 510 million pounds (farm-sales weight)--about 25 million pounds less than a year earlier. In 1960-61 tobacco exports seem likely to increase about 5 percent over the 1959-60 level. Favoring some gain are the larger 1960 crop of flue-cured and increases in cigarette consumption in many foreign countries. Competition with U. S. tobacco exports continues to increase from expanded production in foreign producing areas. Also, trade barriers of various forms imposed by many importing countries hamper U. S. tobacco exports.

The 1960-61 total supply of flue-cured--the leading cigarette and export tobacco--is a little above 1959-60 due to this year's larger crop. This year's average yield per acre was a record high. All except a small fraction of the crop has been sold at an average of about 60 cents per pound-- $1\frac{3}{4}$ cents above last season and a record high. Placements under Government loan were about 4 percent of the crop compared with 5 percent a year ago.

The 1960-61 total supply of burley--second ranking cigarette tobacco--is a little lower than for 1959-60. Both the crop and the carryover are less than last year. Burley markets usually open in late November.

The 1960-61 total supplies of Maryland tobacco, fire-cured tobacco, dark air-cured tobacco, and the Connecticut Valley cigar binder types are smaller than for 1959-60. The 1960-61 total supply of cigar wrapper tobacco is at a new high and the supply of Pennsylvania filler is the largest in 8 years. The supply of Wisconsin cigar binder types is the largest in 3 years.

The 1961 marketing quota and acreage allotment for flue-cured will be announced by December 1, but the Secretary of Agriculture has until February 1 to announce the 1961 marketing quotas for burley and other eligible kinds of tobacco.

Government price supports are mandatory for the kinds of tobacco produced under marketing quotas. The 1960 crop price support levels are the same as in 1959. Starting with the 1961 crops, the support prices will be adjusted from their 1959 levels in accordance with the change between the 1959 parity index and the average of the parity indexes for the 3 calendar years just prior to the year for which the support level is being determined. For 1961, tobacco price supports will reflect the change between the 1959 parity index and the average of the parity indexes for 1958, 1959 and 1960. Available data through October 1960 indicated that the 1961 tobacco support levels are likely to be virtually the same as in 1960 and 1959.

NAVAL STORES

Rosin prices during October 1960 were about 70 percent above those at the same time last year, more than twice those two years ago, and a record high. They are likely to level off within the next few months since the rise has intensified research to develop new and improved rosin substitutes. Turpentine prices in 1960 are the lowest in nearly 11 years, mainly because of reduced industrial utilization of turpentine. Unless new uses are developed by research now in progress, turpentine prices in the 1961 crop year are unlikely to increase.

The increase in rosin prices has resulted from low supplies. Although rosin production in the 1960 crop year is expected to be up about 6 percent from 1959 and the highest in 9 years, supplies are likely to be about 11 percent less than a year ago and the lowest since the 1947 crop year, because of greatly reduced carryin stocks last April 1. Disappearance, limited by reduced supplies, is likely to be about 9 percent less than a year ago. Under these conditions, carryout stocks next March 31 are expected to be at an all time low.

Production of all types of rosin are expected to increase. Output of gum, steam distilled, and tall oil rosin probably will be about 10, 2, and 15 percent higher, respectively, than a year ago. The anticipated increase in gum rosin output for 1960 reverses a steady decline which began in 1950. A further increase in gum rosin output is likely in the 1961 crop year.

Both domestic consumption and exports of rosin will be less than a year ago. The expected reduction in domestic requirements is based mainly on losses in end uses because of increased rosin cost.

U. S. rosin exports in the 1960 crop year, limited by reduced supplies, will be lower than a year ago. Although production abroad has been increasing, reduced stocks in producing countries and increasing foreign consumption have kept import requirements for U. S. rosin at a high level. In general, rosin consumption abroad has been increasing more rapidly than in the U. S.

In contrast to rosin, production of all types of turpentine in the 1960 crop year is likely to be at least 5 percent lower than 1959, and may be the lowest since 1953. Increased output of gum turpentine will be more than offset by reduced production of sulphate and steam distilled wood turpentine. Sulphate turpentine output should be significantly lower partly because some producers are using turpentine for fuel due to limited storage space and reduced domestic industrial requirements.

Despite reduced turpentine production, overall supplies, boosted by the largest carryin stocks since April 1, 1954, may be the largest since the 1956 crop year. Another increase in stocks is expected next March 31. The increase will be mainly in gum turpentine stocks and will reflect pledges of about 30 percent of gum turpentine output (about 35,000 barrels) to the 1960 loan.

A slight decline is anticipated in disappearance of all types of turpentine during the 1960 crop year. Slightly higher exports will partially offset lower domestic consumption. Disappearance of gum turpentine is expected to be down from 1959 levels while domestic and export requirements for steam distilled wood turpentine are expected to increase.

TIMBER PRODUCTS

Total production of round timber products in 1960 is estimated at 11 billion cubic feet--slightly below production in 1959. Production of industrial roundwood is expected to amount to 9.5 billion cubic feet and fuelwood, 1.5 billion cubic feet.

Stumpage prices at midyear showed a downward trend, largely reflecting weakness in lumber markets. Lumber production for the year is expected to amount to 35 billion board feet--about 5 percent below production in 1959. The West is expected to account for about 55 percent of the lumber produced, the South, 32 percent, and the North, the remaining 13 percent. Softwoods, chiefly Douglas-fir, southern pine, ponderosa pine, western true firs, and hemlock, will account for about 80 percent of total production.

Lumber imports in 1960 are estimated at 3.8 billion board feet, exports, 1 billion board feet, and increases in stocks, 1 billion board feet. Total lumber consumption, i.e., domestic production plus net imports less additions to stocks, is thus estimated at 36.7 billion board feet--about 8 percent below consumption in 1959. Part of this decrease in consumption is due to the decline in construction, but part of it also reflects the continuing substitution of other materials for lumber.

Pulpwood production in 1960 is estimated at 40 million cords. This represents a new production peak--9 percent above the high reached in 1959. Softwoods, such as southern pine, hemlock, Douglas-fir, spruce and true fir, account for about 80 percent of the pulpwood produced and hardwoods 20 percent. About 62 percent of total production is in the South, 20 percent in the West, and the remaining 18 percent in the North.

Production of chipped residues obtained from sawmills and veneer mills is estimated at 7 million cords, a new peak in a trend that has been sharply upward since 1944. During the past 4 years, production of pulpwood from residues has increased about 3.5 million cords while production of roundwood pulpwood has increased 1.3 million cords. Round pulpwood prices have shown some increase in 1960. In the Southeast, for example, prices of rough pine pulpwood at local points of delivery are expected to average \$16.50 per cord--about 50 cents above the average in 1959 and a dollar above 1958.

Softwood peeler log production in 1960 is estimated at 3.6 billion board feet--about 5 percent more than in 1959 when 3.4 billion board feet were produced. Production of hardwood veneer logs in 1960 is expected to amount to 1.0 billion board feet--about the same as the annual average since 1950. Production of other industrial roundwood products such as cooperage logs, poles and piling, fence posts, hewn ties, round mine timbers, and miscellaneous products is estimated at 740 million cubic feet in 1960. Recent trends in production have shown increases for some products such as poles and piling, and decreases for other such as mine timbers and cooperage logs.

Consumption of Christmas trees in the United States in 1960 is expected to be somewhat above 40 million trees, with imports from Canada of 12 million. Prices paid for Christmas trees on the stump have varied widely, but generally range from about 25 cents for wild trees to \$2.50 or more for plantation-grown trees.

The outlook for timber products over the next few years depends to a major degree on continuance of growth in gross national product, industrial production and housing and other construction. With a high level of employment, increases in use of industrial wood seems likely. Since 1950 pulpwood consumption in the United States has been rising by an average of 2 million cords a year, and recent trends in markets and plans for increases in productive capacity suggest continued growth. Further increases in the consumption of softwood veneer logs are also expected. Lumber consumption, however, is not likely to change much until about the mid 1960's when the upsurge in births that began in the early 1940's is expected to be reflected in a substantial increase in the formation of new households.

:	:
:	The next issue of The Demand and
:	Price Situation is scheduled for
:	release December 22, 1960.
:	:

**U. S. Department of Agriculture
Washington 25, D. C .**

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICIAL BUSINESS

NOTICE

If you no longer need this publication,
check here ☐ return this sheet,
and your name will be dropped from
the mailing list.

If your address should be changed,
write the new address on this sheet
and return the whole sheet to:

Administrative Services Division (ML)
Agricultural Marketing Service
U. S. Department of Agriculture
Washington 25, D. C.